CERS
BUILDING FOR **YOUR FUTURE**

# ANNUAL REPORT AND ACCOUNTS

for the Year Ended 31st May 2014

CONSTRUCTION EXECUTIVE
RETIREMENT SAVINGS

CONSTRUCTION EXECUTIVE RETIREMENT SAVINGS

# Building For Your Future

CERS are specialists in pension planning for the construction and related industries.

# Contents

# 01

# Chairman's Message

We are pleased to present you with the Annual Report of Construction Executive Retirement Savings (CERS) for the year ending 31st May 2014.

CERS is a Master Trust with an Independent Trustee Company which offers an important additional layer of independent protection for employers and employees. This removes the burden from Employers and provides peace of mind at no extra cost. The Directors of the Trustee Company actively keep themselves informed of investment developments through regular meetings with the investment managers and independent investment adviser and fulfil their Trustee Training requirements.

CERS gives members a wider choice of investment options and gives them online access with up to date value of their savings and their prospective pension entitlement. I am delighted to report that CERS won the award of Best use of Investment Strategy at the at the recent Irish Pension Awards.

In conjunction with our Administration Company, CIF Pension Administration Services Ltd (CPAS), we are now in a position to offer access to comprehensive post retirement planning, protection, savings and investment solutions through Milestone Advisory*. In this way we can offer continuity of service through our people who have been dealing with the members throughout their working career.

This current report sets out the key features of the Scheme with particular emphasis on the investment performance, the statement of accounts for the year which includes the Auditor's report and the Actuaries statement. We hope that you will find the report to be of interest.

If you have any queries on the content of this report or if you require further particulars on CERS or on Milestone Advisory please contact a member of the CERS Administration Team at Canal House, Canal Road, Dublin 6, telephone 01 4071430 or logon to www.cers.ie or www.milestoneadvisory.ie

*Milestone Advisory Ltd t/a Milestone Advisory is regulated by the Central Bank of Ireland
Milestone Advisory Ltd is an operating division of CPAS

Donal O'Brien

D O'Brien

Chairman of the Trustee

December 2014

# Key Features and Highlights of the year

- All CERS assets are totally separate from the assets of participating companies and the Construction Industry Federation.

- The Multi Asset Fund's equity assets, being managed by Irish Life Investment Managers, continue to be managed on a passive basis.

- State Street Global Advisors Ireland Limited (SSGA), KBI and F&C all actively manage property portfolios within the Property Fund.

- Funds under Management by Alder Capital Ltd., Standard Life Investments, BNY Mellon and Irish Forestry Unit Trust (IFUT), with effect from August 2013, form the Alternative Asset fund.

- The Pensioner Fund is held on a segregated basis with a third party custodian.

- There is also a separate Bond Fund which is an investment option for active arrangements and individual member funds which is passively managed by Irish Life Investment Managers.

- In addition to the Irish Life Cash Fund, there is a portion of assets for the CERS Cash Fund on deposit with AIB. The portion of assets previously held on deposit with Bank of Ireland was transferred to the Irish Life Cash Fund on 9th July 2013.

- Over the scheme year the Multi Asset Fund recorded a net investment return of +7.04%. Please refer to www.cers.ie/funds for information on returns from 1st June 2014 to date.

- Total benefits paid since the inception of CERS amount to €385.63 million.

- Total contributions by participating employers (and their employees) for the year amounted to €14.608 million. This represents a slight decrease over the previous 12 months.

- An actuarial valuation of the Scheme was carried out as at 31st May 2014 and this indicated that the Scheme's assets were €17.2 million in excess of its liabilities. The next actuarial valuation will be carried out to ascertain the value of the assets and liabilities as at 31st May 2015.

- At 31st May 2014 there were 933 active members in relevant employment. There were 1018 pensioners receiving benefit and 2,291 members with entitlement to deferred benefits.

- For members of defined benefit arrangements a copy of their arrangement's Annual Actuarial Statement is attached to this Report. For all members, details as to whether or not there were contributions outstanding at the renewal year end are also attached.

- The facility under the CERS Scheme whereby employees can avail of tax relief attaching to Additional Voluntary Contributions (AVCs) continues to prove attractive to employees.

- A list of participating employers is available on request to the Administration Team and is only available to relevant persons as defined in the Occupational Pension Schemes (Disclosure of Information) Regulations, 2006.

# 02

# About CERS

Construction Executive Retirement Savings (CERS) is an umbrella pension arrangement that has been offering a flexible retirement solution for over 40 years and can be adapted to the individual requirements of employers and members in the construction and related industries. Using our specialist knowledge of the sector and delivered by our experienced team, we offer a full service approach throughout and after the working lives of our members.

CERS is registered with the Pensions Authority. It's registration number is PB3538.

## THE BENEFIT OF CERS

CERS offers a transparent competitive charging structure, comprehensive Investment Fund choices, a Lifestyling option and an informative website providing online member access and a bespoke pension calculator.

CERS is designed to meet the needs of employers in the construction and related industries and offers a wide range of benefits to members that will help them achieve financial security in retirement. Our clear objectives are to:

- Provide members with **adequate and sustainable income** in retirement through promoting the benefits of making pension contributions, offering a considered range of investment choices with a low charging structure and preferential annuity rates.
- **Peace of mind** for members through death and protection benefits and for employers through our dedicated Trustee Board.
- **Transparent information** (including charges) is provided in a clear concise format on our website, booklets, and information leaflets. Experienced Pension Consultants offer one to one meetings and staff addresses.

## FLEXIBLE APPROACH

We have a long history of providing flexible pension arrangements and protection benefits to employers in the construction and related industries. Over the years, we've learned to adapt to the ever-changing nature of the industry with a range of flexible options. As it is important for us to meet the particular needs of each employer and member, we provide individual pension solutions for each member company. Employers can choose the contribution amount, the retirement age and protection benefits to meet their specific needs.

CERS can provide investment strength through our guided lifestyling investment approach or members have the flexibility to build their own investment strategy. There is oversight of the investment funds by the Scheme Actuary and an independent Investment Adviser appointed by the Trustee. The Trustee and Investment Adviser were particularly delighted this year to see that their work to manage members' investments in a productive but prudent way was recognised by the committee of the Irish Pensions Awards when CERS was announced as winners of the "Best Use of Investment Strategy" Award in November 2014.

CERS offers financial value ensuring that every euro is working hard for members. There are low charges leaving more in a member's pension fund and there are no additional ongoing fees for employers. Our discounted annuity rates at retirement result in higher pensions for members and there are no penalties for members changing employer within the scheme

## INDEPENDENT TRUSTEE COMPANY

CERS is a Master Trust arrangement and has an Independent Trustee Company which offers an important additional layer of independent protection for employers and members. This removes the burden from employers and provides peace of mind at no extra cost.

The Directors of the Trustee Company actively keep themselves informed of investment developments through regular meetings with the Investment Managers and their independent Investment Adviser and fulfil their Trustee training requirements.

## COMMUNICATION

Through our communications, we aim to ensure that employers and members are clear about the benefits of being a member of CERS and understand the importance of their retirement savings. Our aims are to:


- Communicate clearly with our members using every day, positive language
- Maintain and improve member appreciation of the benefits from CERS as a valuable asset
- Provide better access to information
- Raise the profile of CERS and promote membership

A key element of our communication is a strong visual identity reinforcing the message that a pension is 'Building for your future'. Our new Administration System was developed to streamline administration. CERS has a dedicated website www.cers.ie with relevant information, literature and forms for employers, members, non-members and pensioners. We also provide members with secure online access where they can view details of their retirement savings and daily updated values of their accounts. On this interactive part of the website, members are able to update personal information and contact the experienced Administration Team at CERS.

We also launched our new pension calculator on www.cers.ie. This should be helpful for members when planning for their retirement and will allow them to develop their own individual retirement savings strategy. For members who are registered for online access, there is a more specific calculator which takes into account a member's current fund value and includes the ongoing contribution rate.

During 2014, CPAS, who are the Administration Company responsible for administering CERS, launched a new bi-monthly newsletter "CPAS Insights" and members can sign up to receive copies of this newsletter electronically to their work or personal email address. The facility to sign up to this newsletter is available on our website www.cers.ie.

CERS is designed to meet the needs of today's members, giving them the opportunity to build a pension for retirement, whilst providing other important protection benefits. We can also provide access to Milestone Advisory* for broader personal financial planning services and product solutions.

*Milestone Advisory Ltd t/a Milestone Advisory is regulated by the Central Bank of Ireland. Milestone Advisory Ltd is an operating division of CPAS

## IRISH PENSIONS AWARDS

Irish Pensions AWARDS 2014

WINNER
Best use of investment strategy

In recognition of the investment strategy put in place by the Trustee, which demonstrates their understanding of the membership, we are pleased to announce that CERS were winners of the "**Best use of Investment Strategy"** award at the Irish Pension Awards in November 2014. CERS was also shortlisted for the **"Irish Pension Scheme of the year/Pension Trustee board of the year"** award.

# 03
# Looking after your Scheme

| | |
|---|---|
| **Trustee** | Construction Executive Retirement Savings Trustee Limited |
| **Officers of the Trustee** | DIRECTORS<br>Donal O'Brien (Chairman)<br>Leo Crehan<br>Brian O'Neill<br>Gerry Morrissey<br>Conor Scott<br>Richard P. Treacy |
| **Company Secretary** | Gabriel P. MacGrath |
| **Secretariat to the Trustee** | Anne Keogh |
| **Scheme Administrator** | CIF Pension Administration Services Ltd. (CPAS)<br>Canal House, Canal Road, Dublin 6 |

**CERS Administration Team**

| | |
|---|---|
| Manager: | Frances McNally |
| Consultants: | John Geraghty, Damien Starken and Paula Thornton |
| Administration: | Sandra Blake, Carol Briody, Sarah Kennedy and Siobhan McCabe |
| **Actuaries** | D McNamee FIA<br>Consulting Actuary<br>Towers Watson Ireland Limited<br>Trinity Point, 10 - 11 Leinster Street, Dublin 2 |
| **Auditors** | Grant Thornton, Chartered Accountants & Registered Auditors<br>24–26 City Quay, Dublin 2 |

| | |
|---|---|
| **Bankers** | Allied Irish Banks Plc.<br>1 Lower Baggot Street, Dublin 2 |
| **Custodians** | Bank of Ireland Securities Services<br>New Century House, International Financial Services Centre, Mayor Street Lower, Dublin 1 |
| | Citibank Europe Plc.<br>1 North Wall Quay, International Financial Services Centre, Dublin 1 |
| **Investment Adviser** | Appian Asset Management<br>42 Fitzwillaim Place, Dublin 2 |
| **Investment Managers** | Alder Capital<br>61 Merrion Square, Dublin 2 |
| | Allied Irish Bank<br>1-4 Lower Baggot Street, Dublin 2 |
| | BNY Mellon Asset Management<br>Administration Centre, Harcourt Building, Harcourt Street, Dublin 2 |
| | Friends First Managed Pension Funds Limited (formerly known as F&C Ireland Limited)<br>Friends First House, Cherrywood Business Park, Loughlinstown, Dublin 18 |
| | Irish Forestry Unit Trust<br>1st Floor, Unit 3, Woodford Business Park, Santry, Dublin 9 |
| | Irish Life Investment Managers Limited<br>Beresford Court, Beresford Place, Dublin 1 |
| | Kleinwort Benson Investors (KBI) Limited<br>Joshua Dawson House, Dawson Street, Dublin 2 |
| | Standard Life Investments<br>1 George Street, Edinburgh, EH2 2LL Scotland |
| | State Street Global Advisors Ireland Limited<br>2 Park Place, Upper Hatch Street, Dublin 2 |
| | Bank of Ireland (up until July 2013)<br>Ranelagh, Dublin 6 |
| **Insurers** | Irish Life Assurance Plc.<br>Beresford Court, Beresford Place, Dublin 1 |
| **Solicitors** | Arthur Cox<br>Earlsfort Centre, Earlsfort Terrace, Dublin 2 |

# 04
# Investments

## Investments Review

### 1st June 2013 to 31st May 2014

The prevailing economic background remained difficult during the twelve months to 31st May 2014. Only the United States, of the major developed regions, displayed signs of positive growth momentum. Even in the US progress was interrupted by the severe winter weather of 2013/2014. The European economy particularly struggled under the weight of ongoing austerity. The emerging economies also slowed though they continue to outperform the developed world.

In sharp contrast to the sluggish economic environment the investment assets were buoyant as they continued to benefit from the unprecedented monetary support of the major central banks. Bond and equity markets generated positive returns and Irish property values, after their sustained fall, finally turned upwards. The CERS Multi Asset Fund, with its diversified exposure to all three asset types, benefited from the positive market background.

Highly stimulative monetary policies result in short term interest rates that remain in extraordinarily low ground resulting in very low returns from cash deposits. The assets of the CERS Cash Fund are largely held on deposit with a range of highly rated international banks in order to maximise member security. The rate of interest available on these deposits has fallen to historically low levels. As a result the net return provided by the CERS Cash Fund, after deducting management charges, is likely to remain negative. The Pension Levy will further reduce the return. This situation is not unique to CERS. All highly rated cash funds are providing negative returns after allowing for charges and the Levy.

**The asset distribution of the Multi Asset Fund at year end 31st May 2014 was:**

| Asset Type | Manager | % Weight |
|---|---|---|
| Equity | Irish Life Investment Managers | 54.80 |
| Bonds | Irish Life Investment Managers | 16.40 |
| Alternative Assets | SLI GARS, BNY Mellon, IFUT & Alder Currency | 15.50 |
| Property | SSGA, F&C, KBI | 6.70 |
| Cash | Irish Life Investment Managers & Bank Deposit | 6.60 |

A full description of the long term strategic asset allocation determined by the Trustee is set out in the Statement of Investment Policy Principles (SIPP) which is available on page 18.

**The CERS Net Investment returns for the Scheme year ending 31st May 2014**

| CERS Multi Asset Fund | CERS Bond Fund | CERS Cash Fund | CERS Equity Fund | CERS Property Fund | CERS Alternative Asset Fund |
|---|---|---|---|---|---|
| +7.04% | +6.82% | -0.70% | +10.63% | +2.97% | +0.36% |

The returns shown above are net of the annual management charge and Government Pension Levy as at 30th June 2013. Please visit www.cers.ie or contact CERS for returns from 1st June 2014 to date.

# ALDER CAPITAL LTD



## How the assets are managed

The Alder Currency Fund uses a systematic investment process to invest in the following major liquid currencies: EUR, USD, JPY, AUD, CAD, GBP and SEK. The system has four main drivers of return: (i) a trend-following component; (ii) a ranging component; (iii) a yield component and (iv) a momentum-of-yield component.

## Value of the assets

| | |
|---|---|
| Value of the assets at 31st May 2013 | € 3,171,690 |
| Net contribution | € 2,000,000 |
| Appreciation / Depreciation | (€ 279,175) |
| Value of the assets at 31st May 2014 | € 4,892,515 |

## Overview of Investment performance

The 12-month period ending 31 May 2014 (the "Period") saw a decrease of 8.2% in the value of the assets owned by CERS.

In the Period, the biggest contributor to the negative performance came from the trend-following component of Alder Capital's trading system. After good performance from May 2013 to December 2013, the losses came from January 2014 to May 2014.

The trend following component seeks to profit from directional movements in certain currency pairs and much of this period was characterised by range bound, directionless trading of currency pairs that typically move in a directional way. This kind of behaviour has happened in the past too and tends to be temporary but when it does occur it can be a difficult period for the Fund. The biggest trend following currencies in the world, EUR/USD, USD/JPY and EUR/JPY have all traded in tight ranges from January 2014 to May 2014.

The Schemes investment in Diversification Strategy Fund is an investment in an alternative asset and an alternative asset should generate an alternative investment stream. This means that its gains and losses come at different times and in a different way to more conventional investments like equities. Diversified investments by their nature make and lose money at different times. The advantage for investors is that the losing periods for Diversification Strategy Fund have tended not to coincide with the losing periods for equities and bonds as the assets are historically uncorrelated to each other. This has held true in the Period; most equity investments and bond funds are performing well while the Diversification Strategy Fund has posted a negative return. It has also held true in other periods that when other assets had negative performance, Diversification Strategy Fund posted a positive return.

Alder Capital is registered in the Republic of Ireland.

**The gross investment return for the period - 8.17%**

# BNY Mellon Asset Management

BNY MELLON

## How the assets are managed

The objective of the Sub-Fund is to achieve a total return in excess of a cash benchmark over an investment horizon of 3-5 years. The fund has a performance aim of cash (1 Month Euribor) + 4% p.a over 5 years before fees.

## Value of the assets

| | |
|---|---|
| Value of the assets at 31st May 2013 | € 10,011,648 |
| Net contribution - Subscriptions | € - |
| Appreciation / Depreciation | € 284,990 |
| Value of the assets at 31st May 2014 | € 10,296,638 |

## How the assets are invested

| Equities | | Bonds | | Other | |
|---|---|---|---|---|---|
| Europe Ex UK | 21.34% | Govt Bonds | 10.83% | Commodities | 2.74% |
| North America | 16.31% | Corp Bonds | 3.02% | Infrastructure | 1.34% |
| UK | 13.41% | Index Linked Govt | 1.25% | Floating Rate Notes | 0.91% |
| Pacific Ex Japan | 2.97% | **Total Bonds** | **15.09%** | Derivatives | -0.52% |
| Japan | 2.03% | Convertibles | 2.30% | **Overall Total** | **100.00%** |
| Other | 0.85% | Cash & Cash Equivalents | 21.24% | | |
| **Total Equities** | **56.91%** | | | | |

## Overview of Investment Performance

In the period from 1st June 2013 to 31st May 2014, the Fund returned 2.85% compared to the return of 4.17% for the 1-month EURIBOR + 4% benchmark, both in Euro terms.

The Fund generated a positive return in an eventful 12 months, dominated by the financial market volatility and fluctuating investor sentiment. Healthcare stood out as a positive sector, over the first half of the year, in particular, benefiting from the rally in "defensive" areas. Telecommunications was also an area of positive contribution, with the Japanese provider SoftBank and long-term holding Sprint Nextel proving particularly strong since their recent tie-up. On the negative front, the Fund's government bond holdings were negatively affected late in the period by increasing yields, as growth expectations normalised somewhat and the perceived "safe haven" properties of government bonds were rendered less attractive.

Having protected capital in January, the Fund was positioned to take advantage of renewed enthusiasm in financial markets during February. In March, the Fund was less well positioned for rising market momentum. The defensive stance in equities, along with exposure to gold, resulted in a negative impact.

BNY Mellon Investment Management EMEA Limited is registered in the UK.

**The gross investment return for the period +2.85%**

# Irish Forestry Unit Trust



## How the assets are managed

Irish Forestry Unit Trust is a forestry investment manager investing and managing commercial forestry plantations in Ireland along with a small number of properties in the UK. IForUT uses investor's funds to acquire forest properties of various ages and geographic distribution with a view to realising gains in the future through timber sales when the forests have matured. IForUT is responsible for all forest management and planning of its plantations and engages field contractors to carry out forest works on its behalf. IForUT is also directly responsible for selling standing timber to sawmills.

## Value of the assets

| | | |
|---|---|---|
| Value of the assets at 31st May 2013 | € | 0 |
| Net contribution - Subscriptions | € | 3,000,000 |
| Appreciation / Depreciation | € | 84,682 |
| Value of the assets at 31st May 2014 | € | 3,084,682 |

## How the assets are invested

95% of the assets are in Ireland with approximately 5% in the UK.

The geographical asset split of the Irish assets are:

| County | % Weight | County | % Weight | County | % Weight |
|---|---|---|---|---|---|
| Clare | 12.3% | Laois | 5.6% | Westmeath | 0.6% |
| Kerry | 10.0% | Cork | 5.2% | Donegal | 0.5% |
| Leitrim | 9.5% | Sligo | 3.3% | Louth | 0.5% |
| Roscommon | 9.5% | Kilkenny | 2.2% | Wexford | 0.3% |
| Tipperary | 9.4% | Offaly | 2.1% | Dublin | 0.1% |
| Galway | 7.3% | Carlow | 0.9% | Monaghan | 0.1% |
| Wicklow | 6.9% | Cavan | 0.8% | Mayo | 0.1% |
| Limerick | 5.8% | Fermanagh | 0.6% | | |
| Waterford | 5.8% | Longford | 0.6% | | |

## Overview of Investment Performance

The fund took advantage of strong timber markets in the last quarter of 2013 and the first quarter of 2014 and increased its sales to over €15.5 million in the period. The fund also invested almost €1.8 million in new forests and the improvement of existing assets (such as road construction etc. in forest properties as well as replanting cleared areas. In February 2014 a significant storm caused some damage to forest properties, mainly in the south west of the country. IForUT insures its forest crops against such incidents and is in the process of managing its claim under this policy – any potential excess under the policy has already been factored into the IForUT unit price. Another significant development during the period was the first distribution made by the fund (3% of NAV in December 2013). This reflects the stage of maturity of the portfolio and it is proposed to continue to make distributions into the future.

Irish Forestry Unit Trust is registered in the Republic of Ireland.

**The gross investment return from 1st September 2013 (inception) was +2.83%**

# Irish Life Investment Managers

Irish Life
Investment Managers

## How the assets are managed

The long term investment objectives of your pension fund are to achieve a return on fund assets which is sufficient, over the long-term, to meet your funding objectives and to earn a rate of return on assets that will exceed inflation and the risk free rate (cash).

In general, this will require a long-term investment return of at least price inflation plus 4% per annum. Examination of the long term return characteristics of asset types indicates that these objectives are most likely to be achieved by allocating a higher proportion of the fund to risk assets, such as equities and property with lower allocations to monetary assets such as bonds and cash. Each scheme however is unique and as such will have its own unique characteristics that determine the appropriate asset allocations between risk & monetary assets. Risk assets as outlined above whilst providing superior longer term returns, tend to be more volatile when compared with monetary assets which historically have provided lower returns but with less volatility.

Your fund invests through Irish Life's range of unit-linked pension funds. Virtually all of these assets are readily tradable on recognised markets or exchanges. Our unit-linked funds are managed very prudently, so that the security of your fund's assets is high. The funds are valued daily in accordance with recognised practices.

## How the assets are invested

### Alpha Main Fund 2 – Equity Fund

The Alpha Main Fund 2 is managed on a passive basis - 85% against the FTSE® World Index/15% MSCI Emerging Markets. The fund tracks the market return by investing in a basket of securities in the same proportion as they are represented in the market index. The fund is re-balanced on a monthly basis. 50% of US Dollar Currency Exposure is Hedged.

## Value of the assets

| | |
|---|---|
| Value of the assets at 1st June 2013 | € 91,298,954 |
| Net contribution - Subscriptions | € 3,301,225 |
| Appreciation / Depreciation | € 11,363,544 |
| Value of the assets at 31st May 2014 | €105,963,723 |

| Asset Type | Region | % Weight |
|---|---|---|
| Equity | US | 47.94% |
| | Emerging Markets | 15.46% |
| | Eurozone | 10.65% |
| | UK | 7.37% |
| | Japan | 7.21% |
| | Pacific | 6.08% |
| | Europe ex Eurozone | 5.07% |
| | Global | 0.22% |
| | **Total** | **100.00%** |

**The gross investment return for the Equity Fund for the period +12.1%**

# Irish Life Investment Managers

## CFE Fixed Income Fund - Bond Fund

The CFE Fixed Income Fund is a passively managed unitised fixed interest fund. Its objective is to perform in line with its benchmark of 75% Merrill Lynch >10 Year Bonds and 25% Merrill Lynch EMU Large Cap Non-Financial Corporate Bonds. The fund is re-balanced on a quarterly basis.

### Value of the assets

| | |
|---|---|
| Value of the assets at 1st June 2013 | € 37,827,078 |
| Net contribution - Subscriptions | (€ 3,742,203) |
| Appreciation / Depreciation | € 2,762,629 |
| Value of the assets at 31st May 2014 | € 36,847,504 |

| Asset Type | Region | % Weight |
|---|---|---|
| Bond | Eurozone | 100% |

**The gross investment return for the Bond Fund for the period +8.1%**

## Alpha Cash Fund Series 4 - Cash Fund

The Cash Fund aims to provide capital security through investment predominately in managed mixed deposits together with short dated gilts and money market instruments. This fund can be used as part of a diversified portfolio and to protect fund values against falling equity markets.

### Value of the assets

| | |
|---|---|
| Value of the assets at 1st June 2013 | € 48,811,599 |
| Net contribution - Subscriptions | (€ 7,589,358) |
| Appreciation / Depreciation | € 105,226 |
| Value of the assets at 31st May 2014 | € 41,327,467 |

| Asset Type | Region | % Weight |
|---|---|---|
| Cash | Eurozone | 100% |

**The gross investment return for the Alpha Cash Fund Series 4 Fund for the period +0.2%**

# Irish Life Investment Managers

### Pensioner Fund

The CERS Pensioner Fund is invested in a bespoke mix of Euro dominated sovereign Fixed Income Securities – Nominal and Inflation Linked. The fund is managed to a specific duration target as instructed by the Scheme Actuary and Investment adviser from time to time. The fund is re-balanced on instruction.

The Pensioner Fund invests in fixed income securities through a segregated (CERS) account. Virtually all of these assets are readily tradable on recognised markets or exchanges. The securities are valued daily in accordance with recognised practices.

## Value of the assets

| | |
|---|---|
| Value of the assets at 1st June 2013 | € 218,919,352 |
| Net contribution - Subscriptions | (€ 13,180,281) |
| Appreciation / Depreciation | € 22,193,850 |
| Value of the assets at 31st May 2014 | € 227,932,921 |

| Country | % Weight |
|---|---|
| Italy | 37.07% |
| France | 24.39% |
| Ireland | 11.20% |
| Spain | 8.86% |
| Germany | 7.40% |
| Belgium | 7.32% |
| Netherlands | 1.15% |
| Austria | 1.06% |
| Slovakia | 0.42% |
| Cash | 1.13% |
| **Total** | **100.00%** |

**The gross investment return for the Pensioner Fund for the period +10.8%**

The investment returns quoted above are gross and do not allow for the Government Pension Levy at 30th June 2013. All valuations are shown using bid prices. This is in accordance with changes to the Statement of Recommended Practice (SORP 2002 – Revised May 2007) Financial Reports of Pension Schemes.

## Overview of investment performance

The year ending 31st May 2014 has seen global equities grow strongly on the back of reduced global investment risks and the removal of many uncertainties which had previously been overhanging markets. The FTSE® World Index returned 12.5% for the year ending 31st May 2014. While conditions remain difficult in the Irish economy, there have been some signs of improvement in the economy with recent economic releases being positive.

Yields in peripheral European bond markets have continued to fall, backed by ECB's commitments through its bond buying programme and improvement in their economic outlook. The ML EMU >5 yrs bond index returned 9.1% for the year ending 31st May 2014.

Irish Life Investment Managers Limited is regulated by the Central Bank of Ireland and is registered in the Republic of Ireland.

# Standard Life Investments

Standard Life Investments



## How the assets are managed

The GARS fund aims to provide positive investment returns in a variety of market conditions. The investment team who actively manage the fund have a wide investment remit to help them try to achieve this aim. The team look to exploit market inefficiencies through active allocation to highly diversified market positions over a 3 to 5 year time horizon. They aim to adopt these market positions using a combination of traditional assets (such as equities and bonds) and investment strategies based on advanced derivative techniques

## Value of the assets

| | |
|---|---|
| Value of the assets at 31st May 2013 | € 11,624.461 |
| Net contribution | (€ 67,213) |
| Appreciation / Depreciation | € 291,583 |
| Value of the assets at 31st May 2014 | € 11,848,831 |

## Overview of Investment performance

Over the year, developed equity markets outperformed both emerging market equities and bond markets. Investor confidence was underpinned by a steady stream of positive economic data and continued support from central banks. Global markets remained nervous during the first half of the reporting period, as the US Federal Reserve (Fed) mulled over a possible reduction in quantitative easing (QE) and investors contemplated the consequences of such action. The spectre of the US budget impasse returned in October, adding to the uncertainty and leading to a 16-day partial government shutdown. A temporary resolution was eventually achieved, and markets tracked upwards during the final three months of 2013, further buoyed by supportive global monetary policy and improved macroeconomic data from China.

As 2013 drew to a close, the Fed finally announced it would begin to taper QE in January 2014, while also reiterating its commitment to low interest rates. Reassured by the endorsement of the US economic outlook and the prospect of continued cheap borrowing costs, developed markets posted solid returns. By contrast, concerns over reduced global liquidity prompted sustained heavy selling across emerging equity, debt and currency markets.

Equity markets made a disappointing start to 2014, largely driven by worries over emerging markets, an apparent slowdown in China and geopolitical upset in Ukraine. Most markets subsequently recovered, despite periodic concerns about earlier-than-expected US interest rate hikes and mounting deflationary pressures in the Euro-zone. By the end of the review period, generally positive market sentiment prevailed, owing to encouraging US results and sound economic data.

Standard Life Investments Limited is registered in the Republic of Ireland.

**The gross investment return for the period +2.5%**

# Allied Irish Bank

## How the assets are managed

The Assets in question are held in a cash based deposit account at agreed rates.

## Value of the assets

| | |
|---|---|
| Value of the assets at 31st May 2013 | €2,024,340 |
| Interest accrued | € 48,587 |
| Value of the assets at 31st May 2014 | €2,072,927 |

## How the assets are invested

The assets are held on deposit in Ireland.

Allied Irish Bank is registered in the Republic of Ireland.

# Property Commentary year ended 31st May 2014



The incipient recovery in Irish property values gained traction during the period. International and domestic buyers were attracted by the relatively high yields now available. Prominent amongst the domestic buyers were the newly established real estate investment trusts. Irish pension funds, long absent from the market, also began to return. The high level of market activity was underpinned by a strengthening of the core Dublin office letting market which continues to benefit from a shortage of high quality space in the central business district. The focus of buyers remained heavily on core Dublin offices. However, as the period drew to its close there were early signs of stabilisation in the retail sector. The challenge for the market in the current year will be to deal with a higher level of supply.

Elsewhere, there were indications that the London market was slowing as the year progressed though the broader UK market benefited from the stronger economy. The European economy however remained sluggish and the property sector continued to be inhibited by high levels of indebtedness.

The Fund's property exposure is diversified across regions. Ireland is its main focus, but there are important exposures also to Europe and, to a lesser extent, the UK. The Fund is also diversified across the office, retail and industrial sectors and across its three managers SSGA, Friends First and KBI Lothbury. Exposure to the latter was reduced during the year.

Both the SSGA Exempt Property Trust and the Friends First Property Fund benefited from their exposure to the Irish office sector and generated strong performances in the period. The KBI Lothbury Fund continues to be adversely impacted by the fragile European occupier market and by the underlying leverage of the property funds in which it invests.

Irish property values suffered unprecedented declines following the financial crisis. Investors are now beginning to rediscover the attractions of property as a stable generator of income in an era of extraordinarily low income returns on assets generally.

# 05
# Statement of Investment Policy Principles

## Introduction

Section 59 of the Pensions Act requires that the Trustee prepare a statement describing the principles underlying their investment policy.

This statement has been prepared in consultation with our actuarial and investment advisors. It will be reviewed at least every 3 years and revised whenever there is a change in our investment principles

## Overview

The assets of the Scheme are sub-divided into 2 separate sections for investment purposes:

The Pensioner Fund invests primarily in a combination of fixed interest and inflation linked Eurozone government bonds.

The Member Selected Funds consist of 6 sub-funds, as follows:

a) The Equity Fund

b) The Bond Fund

c) The Property Fund

d) The Cash Fund

e) The Alternative Assets Fund

f) The Multi Asset Fund, which in turn invests in funds a) to e) above

### THE PENSIONER FUND

The Pensioner Fund holds assets in respect of retired members and certain deferred members who are no longer a direct liability of an employer's sub-fund.

#### Investment Objective and Asset Allocation

The investment objective for the Pensioner Fund is to hold assets which as far as practicable will "match" its liabilities. This means holding a portfolio of assets which will, as closely as possible, change in value in line with changes in the value of these liabilities as financial conditions change.

**The liabilities in question fall into two broad categories**

- Liabilities which are linked to the rate of Irish price inflation and
- Liabilities which are not inflation linked e.g. pensions in payment which do not increase while in payment or which increase at a fixed rate.

Inflation linked liabilities are "matched" by holding inflation linked bonds of average duration equivalent to the average duration of these liabilities. As it is not possible to purchase stocks of sufficiently long duration linked to Irish price inflation the Pensioner Fund invests partly in stocks of shorter duration linked to Irish inflation and partly in stocks of longer duration linked to Eurozone inflation. While rates of Irish and Eurozone inflation may diverge in the short-term, it is considered that investment in stocks linked to Eurozone inflation provides the best available long-term match for liabilities linked to Irish inflation in the expectation that rates of inflation within the Eurozone will converge in the long-term. The index linked stocks held are predominantly issued by or guaranteed by a Eurozone government.

Fixed Liabilities are "matched" by holding Eurozone government fixed interest stock of average duration equivalent to the average duration of these liabilities.

The Pensioner Fund is therefore entirely managed on a matched basis by reference to its liabilities.

## Risk Measurement and Monitoring

The principal investment risk facing the Pensioner Fund is that the change in the value of its assets fails to match the change in the value of its liabilities as bond yields and rates of inflation change. This risk is managed by reviewing on an annual basis the suitability of the stocks held to match these liabilities. This includes a review of:

(a) The overall value of the liabilities of the Pensioner Fund held in respect of the "Matched Liabilities" having regard to cash flows and new retirements during the year.

(b) The proportion of the Pensioner Fund to be held in fixed interest bonds and the proportion to be held in inflation linked bonds.

(c) The duration of the stocks held by comparison with the duration of the liabilities of the Pensioner Fund.

The financial effect of investment risk is quantified each year as part of the overall actuarial valuation of the Scheme.

## MEMBER SELECTED FUNDS

There are 6 Member Selected Funds as noted above. Defined Contribution members who have not yet retired may direct that their retirement accounts be invested in any combination of one or more of these funds. In the case of Defined Benefit schemes, the Trustee in consultation with the Sponsoring Employer and having regard to the liabilities of the Scheme will determine the combination of funds to be used having regard to the principles set out on page 24.

**Each of the Member Selected funds has its own investment strategy, as follows:**

## THE EQUITY FUND

The Equity Fund invests in a diversified manner in global equity markets including an allocation to emerging markets. The Fund is passively managed. This means that the Fund holds all of the shares in the relevant benchmark indices in proportion to their relative market capitalisation. The benchmark indices for the Fund are currently:

| | |
|---|---|
| FTSE World Developed Index | 85% |
| MSCI Emerging Markets Index | 15% |

This passive approach to investment eliminates manager risk i.e. the risk that the Investment Manager might underperform index returns. The passive manager used for the Equity Fund and the benchmark indices used are subject to Trustee review on a regular basis. The Trustee may also from time to time decide to hedge all or part of the currency risk arising from investment in non Euro markets.

As the Fund invests entirely in shares it may be expected to exhibit a high level of volatility in line with the performance of global stock markets. The value of the Equity Fund may therefore rise or fall considerably over relatively short periods (possibly by 30% or more). However, in the long term the expected return from the Equity Fund is greater than that expected from any of the other fund choices available under the Scheme. The Equity Fund may therefore be a suitable vehicle for younger members who have many years to go to retirement and are more concerned with maximising long term return than with short term volatility.

## THE BOND FUND

This Fund invests in a diversified manner in European Monetary Union (EMU) bond markets with an initial allocation of 75% to bonds issued by EMU Governments and 25% to bonds issued by large EMU companies (but not financial companies). The Bond Fund is passively managed i.e. it is designed to replicate (or track) the returns of the relevant bond market indices. The initial allocation of the Fund will be in line with the following indices:

| | |
|---|---|
| The Merrill Lynch over 10 year EMU Government bond index | 75% |
| The Merrill Lynch EMU large capitalisation non financials corporate bond index | 25% |

The allocation to Government bonds is by reference to the Gross Domestic Product of each EMU country.  Only investment grade bonds are included. The allocation to Corporate bonds excludes the bonds of companies in the financial sector.

This passive approach to investment eliminates manager risk i.e. the risk that the Investment Manager might underperform the relevant indices. The Investment Managers used for the Bond Funds and the benchmark indices used will be reviewed on a regular basis by the Trustee.

The Bond Fund may be expected to exhibit some volatility (but not generally as much as the Equity Fund). In particular, if interest rates increase the value of the Bond Fund may be expected to fall. In the longer term the return to be expected from the Bond Fund is less than the expected return from the Equity Fund but more than the expected return from the Cash Fund. The Bond Fund may also be a suitable vehicle for Scheme members who, in the years approaching their retirement, wish to align some or all of their investments with the cost of purchasing a pension on retirement. This is because the value of the Bond Fund may be expected to move broadly in line with the cost of buying a pension as interest rates change.

## THE PROPERTY FUND

The Property Fund is invested in three underlying unitised property funds managed by separate managers. As well as this diversification across managers, the Fund is geographically diversified with Ireland the largest element but with exposure also to the United Kingdom and Europe. The Fund also provides diversification across the major property sectors i.e. office, retail and industrial.

The value of the Property Fund may fluctuate considerably over relatively short periods. In some years the return provided may be a negative, perhaps significantly so. Property is a relatively illiquid asset which may exacerbate market fluctuations (both up and down) and may also lead to delays in implementing redemptions (or withdrawals) from the Property Fund.

In the longer term the return from the Property Fund may be expected to be somewhat lower than that from the Equity Fund. However, the Property Fund may experience long periods during which values decline.

The Trustee review the managers and strategy adopted for the Property Fund on a regular basis.

## THE CASH FUND

The Cash Fund may invest in Euro denominated Bank deposits and other cash-like instruments such as certificates of deposit, treasury bills and short term bonds. The Fund's focus is to place money with high quality counterparties i.e. banks and other issuers. The Fund's exposure to counterparty risk is rigorously managed by a policy of diversification which controls the maximum amount that may be invested in any individual country, bank or issuer. The credit worthiness of counterparties is subject to ongoing review by the Fund's Investment Manager.

As the Cash Fund is invested entirely in bank deposits and other similar instruments it may be expected to provide a return in line with Euro deposit rates with a stable capital value. The Cash Fund may be a suitable vehicle for those Scheme members who, in the years approaching their retirement, wish to preserve the capital value of some or all of their investments (in particular that part of their fund which they plan to take as a lump sum). In the longer term, the Cash Fund is unlikely to provide a return sufficient to support members' benefit expectations and in times of very low interest rates may provide negligible or even slightly negative returns.

The Trustee review the manager and strategies used for the Cash fund on a regular basis.

## THE ALTERNATIVE ASSETS FUND

The Alternative Assets Fund invests in a wide range of assets and strategies. For example, the Alternative Assets Fund may contain investments in currency funds, commodity funds, hedge funds and absolute return funds. Hedge funds may employ a wide range of different strategies some of which may be relatively high risk. Absolute return funds typically aim to deliver modest absolute returns relative to a cash benchmark at relatively low risk. Hedge funds and absolute return funds may use financial instruments (e.g. derivatives) in their investment strategies. The Alternative Assets Fund is diversified across a range of assets, strategies and managers. The objective of the Alternative Assets Fund is to reduce volatility through diversification.

The Alternative Asset Fund may be expected to exhibit a level of volatility which is somewhere between that exhibited by the Bond and Equity Funds. Similarly, the return to be expected in the longer term from the Alternative Assets Fund would normally be considered to be lower than the expected return from the Equity Fund but greater than the expected return from the Bond Fund. This Fund may be a suitable vehicle for part of a member's assets to improve diversification. The underlying funds and assets in which the Alternative Assets Fund invests are reviewed regularly by the Scheme Trustee.

## THE MULTI ASSET FUND

The Multi Asset Fund invests in each of the other five funds by reference to a central or target allocation. The allocation to each fund will vary from the central allocation within a permitted range from time to time to take account of market conditions as determined by the Trustees. The central allocation and permitted ranges are as follows:

| Sub Fund | Central Allocation | Permitted Range |
|---|---|---|
| Bonds | 20% | 15%-25% |
| Equities | 55% | 50%-60% |
| Alternative Assets | 13% | 10%-16% |
| Property | 6% | 3%-9% |
| Cash | 6% | 3%-9% |

The Multi Asset Fund may be expected to exhibit the same characteristics as regards volatility and expected returns as the underlying funds in which it invests. However, overall volatility is reduced by investing across the full range of funds and the level of volatility experienced is likely to be lower than the Equity Fund but greater than the Bond or Cash Funds. Similarly, the expected long term return from the Multi Asset Fund would normally be considered to be lower than that of the Equity Fund but greater than that of the Bond or Cash Funds. The central allocation to each of the five sub funds will be subject to regular review by the Trustee. The Trustee also review the managers and strategies used for each of the underlying Funds on a regular basis.

A lifestyle option based on gradual de-risking of investment strategy over the last 7 years prior to a member's anticipated retirement age is the default option for Defined Contribution members who do not wish to or feel they are unable to make their own fund choice.

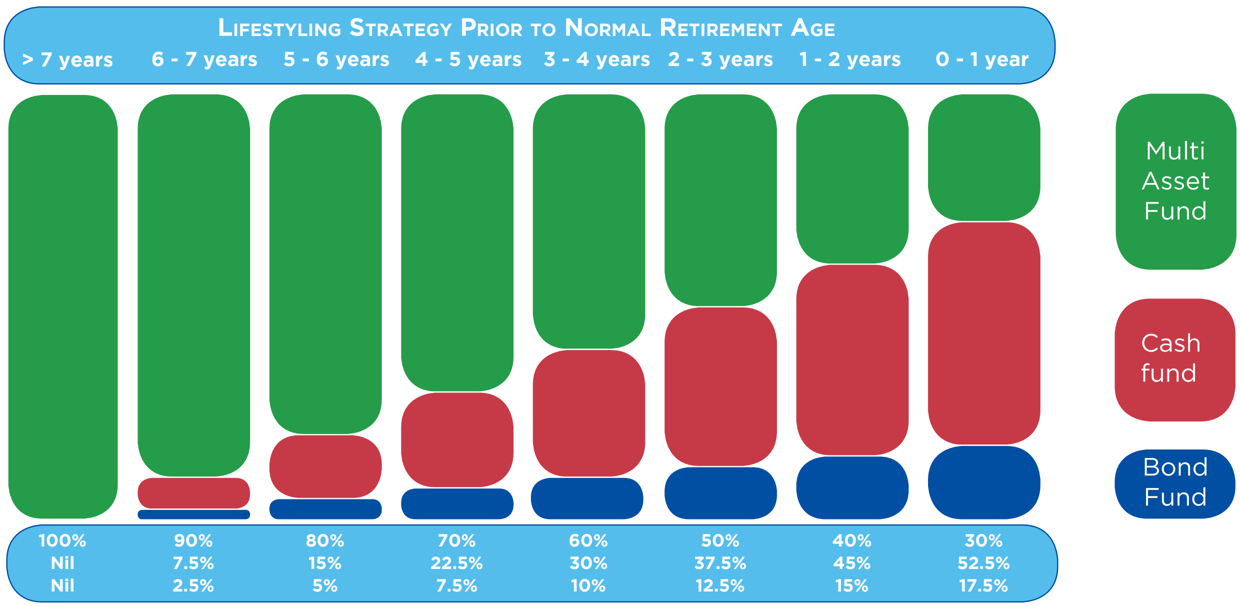
## CERS - STRUCTURE OF LIFESTYLING ARRANGEMENT

The Lifestyling Option will invest in the multi asset fund until 7 years prior to a member's normal or stated retirement age with 10% being automatically transferred to a combination of the Cash and Bond funds (75% cash and 25% bonds) in each of the last 7 years.

The management of the Lifestyling Option will therefore involve 7 switches of existing assets and 7 contribution redirections at annual intervals for a member who retires at their normal retirement age. The Scheme will have 4 switch dates each year, 1 January, 1 April, 1 July and 1 October. For any one member the first switch and contribution redirection will occur on the quarterly switch date immediately after the date which is 7 years prior to the member's normal or anticipated retirement date. For example, in the case of a member who is due to retire on 17 November 2020, the first switch date applicable to them would be 1 January 2014 with subsequent switches at yearly intervals.

On a switch date a member's existing assets would be rearranged to correspond with the Lifestyling matrix (see below). This will normally involve selling units in the Multi Asset Fund and buying units in the Cash and Bond funds although in times of extreme market volatility the opposite may occur (e.g. if equities fall sharply in value between switch dates). Ongoing future contributions payable by or in respect of a member would also be invested in accordance with the Lifestyle matrix with effect from the switch date.

## THE LIFESTYLING MATRIX IS AS FOLLOWS:




## SUMMARY – VOLATILITY AND EXPECTED RETURNS

| Fund | Volatility | Long term expected return |
|---|---|---|
| Equity Fund | 5 | 5 |
| Property Fund | 5 | 5 |
| Multi Asset Fund | 4 | 4 |
| Alternative Asset Fund | 4 | 4 |
| Bond Fund | 3 | 3 |
| Cash Fund | 1 | 1 |

| | |
|---|---|
| 5 | High |
| 4 | High to Moderate |
| 3 | Moderate |
| 2 | Moderate to Low |
| 1 | Low |

## DEFINED BENEFIT SUB-SCHEMES – MEASUREMENT AND MANAGEMENT OF INVESTMENT RISK

In the case of Defined Benefit sub-schemes, investment risk is measured relative to the liabilities of the sub-scheme and is assessed at each triennial actuarial valuation. Investment risk is managed as set out below.

The Trustee require that the strategy outlined below be implemented as a condition of their supporting an extended funding proposal period of more than 3 years.

At the date of each actuarial valuation (normally every 3 years) the percentage of past service liabilities to be invested in the Bond Fund is calculated in accordance with the following table based on the age distribution of the employed and deferred members in the sub-scheme at the valuation date.

| Period Remaining to Normal Retirement Date | % Of Past Service Liabilities to be Invested in Bond Fund |
|---|---|
| 0 – 3 years | 75% |
| 3 – 5 years | 50% |
| 5 – 7 years | 25% |
| Over 7 years | Nil |

The balance of the assets of the sub-scheme is invested in the Multi Asset Fund.

This calculation results in an overall percentage of past service liabilities to be invested in the Bond Fund. This percentage is applied to the value of existing assets to determine the proportions to be invested in the Bond Fund and the Multi Asset Fund. Future contributions are allocated in the same proportions. Disinvestments to fund retirements will be made 75% from the Bond Fund and 25% from the Multi Asset Fund unless otherwise advised by the Scheme Actuary.

This strategy will be implemented on a phased basis as funding proposals, requiring a recovery period of more than 3 years, are implemented for each DB sub-scheme. Where the application of this strategy results in a material increase in the proportion of existing assets to be invested in the Bond Fund the increased bond content may be implemented on a phased basis in consultation with the Sponsoring Employer over the funding proposal period.

The employer sponsoring a DB sub-scheme may in consultation with the Trustee opt to have a greater allocation to the Bond and Cash funds than is derived from this strategy.

In the case of sub-schemes which do not require an extended recovery period the investment strategy to be adopted is determined by the Trustee in consultation with the Sponsoring Employer having regard to the liabilities of the DB sub-scheme.

## DEFINED CONTRIBUTION SCHEMES AND ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Trustee' key investment objectives in relation to DC members and those paying AVCs are:

- To provide a suitable range of fund options to meet the requirements of individual members and
- To provide members with adequate information in relation to these options.

It is acknowledged that individual members will have different requirements depending on their age, their attitude to risk and investment knowledge.

## RISK MEASUREMENT AND MANAGEMENT

The risks considered by the Trustee in determining the fund options currently available and their response to the management of these risks are shown below:

(a) The risk of insufficient long-term capital growth for younger members - managed by providing access to the Multi Asset Fund which has a benchmark allocation of 74% to return seeking assets.

(b) The risk that the value of a member's investment account may fall shortly before retirement due to stock market volatility leading to a permanent loss of retirement income - managed by offering members a Cash Fund to which they may transfer as they approach retirement.

(c) The risk that bond yields may fall shortly before retirement leading to an increase in annuity costs and a permanent loss of retirement income - managed by offering the Bond Fund to which members may transfer as they approach retirement.

(d) The risk that members may have insufficient investment knowledge to make appropriate choices in relation to the investment of their accounts. This risk is managed by a Lifestyle Option which is also the default option in the event that a member does not make a written fund choice.

(e) The risk that individual Investment Managers may underperform leading to a loss of investment return - controlled by offering funds which are mainly managed on a passive basis and by broadly diversifying the Alternative Assets Fund.

(f) The risk of loss due to inadequate diversification and/or investment in unregulated markets - managed by only offering unitised funds which are themselves broadly diversified and which invest mainly in regulated stock markets.

# 06
# Financial Statements for the Year Ended 31st May 2014

## Statement of Trustee Responsibilities

The accounts are the responsibility of the Trustee. Irish pension legislation requires the Trustee to make available for each Scheme year the annual report of the Scheme, including audited accounts and the report of the auditor. The accounts are required to show a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the financial transactions for the Scheme year and the amount and disposition of the assets and liabilities (other than liabilities to pay benefits in the future) at the end of the Scheme year and include a statement as to whether the accounts have been prepared in accordance with Statement of Recommended Practice - Financial Reports of Pension Schemes ("SORP") (Revised May 2007), subject to any material departures disclosed and explained in the accounts.

Accounting standards generally accepted in Ireland in preparing accounts showing a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Financial Reporting Council. Accordingly, the Trustee must ensure that it has supervised the preparation of the Scheme accounts and ensure that:

1. Suitable accounting policies are selected and then applied consistently;
2. Reasonable and prudent judgements and estimates are made; and
3. The SORP is followed, or particulars of any material departures are disclosed and explained.

The Trustee is responsible for ensuring that proper membership and financial records are kept on a timely basis sufficient to enable an Annual Report to be prepared for the Scheme containing the information specified in Regulation 7 of the Occupational Pension Schemes (Disclosure of Information) Regulations 2006 (as amended), including accounts which show a true and fair view of the financial transactions of the Scheme in the year under review and of the assets and liabilities at the year end, other than liabilities for pensions and other benefits payable after the year end. It is also responsible for safeguarding the assets of the Scheme and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Signed by the order of the Trustee

| | |
|---|---|
| **D. O'BRIEN** | **R.P. TREACY** |
| **Director of Trustee company** | **Director of Trustee company** |

Approved by the Trustee on 19th November 2014.

# Actuarial Statement 2014

TOWERS WATSON

I last carried out an actuarial valuation of Construction Executive Retirement Savings (the "scheme") as at 31st May 2014.

The results of the valuation show that based on the assumptions used for the purposes of the valuation, the assets of the scheme were sufficient to meet the values of the following at 31st May 2014:

1. Pensions in payment;

2. Deferred benefits for members who have left service which are not covered by the pension arrangements for participating employers;

3. Guaranteed benefits for employed members in respect of service completed to 31st May 2014 which are not covered by the pension arrangements for participating employers; and

4. Assets allocated to the pension arrangements for participating employers.

5. Individual defined contribution accounts for certain deferred members which are no longer a liability of their former employers' pension arrangements.

Separate actuarial valuations are carried out for defined benefit pension arrangements for participating employers in order to determine the contribution rates required for these arrangements.

Actuarial valuations are not required for defined contribution pension arrangements.

It is intended that the next valuation of the scheme will be carried out as at 31st May 2015.

**DMcNamee FSAI**
**Consulting Actuary**
**Towers Watson Ireland Limited**

**18 November 2014**

# INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE

We have audited the financial statements of the Construction Executive Retirement Savings for year ended the 31 May 2014 which comprise of the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is Irish pension law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

This report is made solely to the Scheme's Trustee, as a body, in accordance with Section 56 of the Pensions Act 1990 and Regulations made there under. Our audit work and our work on contributions has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to them in such an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee, as a body, for our audit work, our work on contributions, for this report, or for the opinions we have formed.

## Respective responsibilities of the Trustee and independent auditors in relation to the financial statements

As explained more fully in the Statement of Trustees' Responsibilities set out on page 26, the Trustee is responsible for the preparation of the financial statements giving a true and fair view, and for ensuring that contributions are made to the Scheme in accordance with the Scheme's rules and the recommendation of the actuary. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish pension law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

We do not report if the contributions payable to the Scheme during the year ended 31 May 2014 have been received by the Trustee within thirty days of the end of the Scheme year.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustee; and the overall presentation of the financial statements. In addition, we read all other financial and nonfinancial information to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Scheme during the year ended 31 May 2014 and of the amount and disposition of the assets and liabilities (other than liabilities to pay pensions and other benefits in the future) at that date; and
- are prepared in accordance with Generally Accepted Accounting Practice in Ireland.

### Opinions on other matters prescribed by the Occupational Pension Scheme (Disclosure of Information) Regulations 2006 (as amended)

In our opinion:

- the financial statements include the information specified in Schedule A to the Occupational Pension Schemes (Disclosure of Information) Regulations 2006 (as amended) which is applicable and material to the Scheme;

As stated above we do not report if the contributions payable to the Scheme during the year ended 31 May 2014 have been received by the Trustee within thirty days of the end of the Scheme year.

### Emphasis of matter

In forming our opinion on other matters Opinions on other matters prescribed by the Occupational Pension Scheme (Disclosure of Information) Regulations 2006 (as amended) we have considered the adequacy of the disclosures made in notes 1(b) on page 32 to the financial statements in relation to contributions recognised on a cash receipts basis. While our opinion is not qualified in this respect, International Auditing Standards require the auditors to draw this fact to the attention of the readers.

In addition, as set out in the basis of preparation of the financial statements on page 32, the transactions and assets in respect of the individual schemes for participating employees are included in the financial statements on an aggregate basis. Because of this and as explained above, in the respective responsibilities of the trustee and independent auditors to the financial statements, we have not reported on the position relating to contributions payable

**GRANT THORNTON**

**Chartered Accountants & Registered Auditors**

**24 – 26 City Quay**

**Dublin 2**

**19th November 2014**

# 07
# Accounts for the Year Ended 31st May 2014

## Fund Account as at 31st May 2014

| Contributions and Benefits | Note | 2014 € | 2013 € |
|---|---|---|---|
| Contributions | | 14,608,425 | 14,611,923 |
| Transfers from other schemes | | 215,283 | 162,429 |
| Insurance Receipts | | 626,889 | 519,626 |
| | | 15,450,597 | 15,293,978 |
| Benefits | 2 | (17,747,814) | (18,255,365) |
| Leavers | 3 | (15,288,397) | (18,309,025) |
| Other costs | 4 | (3,578,278) | (3,515,891) |
| Administrative expenses | 5 | (1,770,645) | (1,928,887) |
| | | (38,385,134) | (42,009,168) |
| Net withdrawals from dealings with members | | (22,934,537) | (26,715,190) |
| Returns on investments | | | |
| Investment income | 6 | 858,704 | 317,260 |
| Change in market value of investments | 7 | 36,562,453 | 57,631,412 |
| Investment management fees | 8 | (175,595) | (130,387) |
| Net returns on investments | | 37,245,562 | 57,818,285 |
| Net increase in the fund during the year | | 14,311,025 | 31,103,095 |
| Net Assets of the Scheme as at 1st June 2013 | | 443,592,208 | 412,489,113 |
| Net Assets of the Scheme as at 31st May 2014 | | 457,903,233 | 443,592,208 |

These financial statements were approved by the Trustee on the 19th November 2014 and are signed on their behalf by:

**D. O'BRIEN** **R.P. TREACY**

**Director of Trustee company** **Director of Trustee company**

# Net Assets Statement as at 31st May 2014

| | Note | 2014<br>€ | 2013<br>€ |
|---|---|---|---|
| **Investments** | | | |
| Pooled and directly held investments | 7 | 457,332,344 | 442,134,703 |
| **Current assets** | | | |
| Current assets | 9 | 941,326 | 1,332,431 |
| Cash at bank | | 330,772 | 466,662 |
| | | 1,272,098 | 1,799,093 |
| **Current liabilities** | | | |
| Liabilities - amounts falling due within one year | 10 | (701,209) | (341,588) |
| **Net Assets of the Scheme at 31st May 2014** | | 457,903,233 | 443,592,208 |

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Actuary's Report on page 27 of the financial statements and the financial statements should be read in conjunction with it.

These financial statements were approved by the Trustee on the 19th November 2014 and are signed on their behalf by:

**D. O'BRIEN**

**Director of Trustee company**

**R.P. TREACY**

**Director of Trustee company**

# Notes to the Financial Statements

## 1. ACCOUNTING POLICIES

### Basis of accounting

The scheme was established by a Trust Deed dated 1st May 1971. The Scheme is now governed by a Definitive Trust Deed and Rules dated 12th March 2002. The scheme has been approved by the Revenue Commissioners. The scheme pays pensions to retired members from the resources of the scheme. In the period up to retirement, individual member accounts are maintained within the scheme for each member on a defined contribution basis.

The financial statements record the transactions of the scheme during the period and summarise the assets held by the Trustee at the end of the financial year. The transactions and assets in respect of individual schemes for participating employees are included in the financial statements on an aggregate basis.

The financial statements have been prepared in accordance with the guidelines set out in the Statement of Recommended Practice, "Financial Reports of Pension Schemes" (Revised May 2007), published by the Pensions Research Accountants Group. The financial statements have been prepared in accordance with applicable accounting standards generally accepted in Ireland and under the historical cost convention with the exception of investments which are accounted for at market value. Accounting standards generally accepted in Ireland in preparing financial statements showing a true and fair view are those published by the Institute of Chartered Accounts in Ireland and issued by the Financial Reporting Council.

### Fund account

#### (a) Valuation of investments

Investments are stated at market value on the final working day of the accounting period as follows:

- Pooled investment vehicles are stated at the closing bid prices quoted by the fund managers.

#### (b) Contributions

Contributions are recognised for the overall scheme on a cash receipts basis when they are received by the Scheme. This treatment is at variance with the requirements of Statement of Recommended Practice, Financial Reports of Pension Schemes (Revised May 2007) and FRS 12 'Provisions, Contingent Liabilities and Contingent Assets'. This policy is adopted because of the unique nature of the scheme. The Trustee of the scheme is unable to estimate what contributions are due to the scheme until returns are made by employers on behalf of the scheme members in their employment.

#### (c) Benefits Payable

Benefits are accounted for in the year in which they fall due and represent all benefits payable to leavers prior to the Scheme year end.

#### (d) Foreign exchange

Investments and current assets denominated in foreign currencies are translated into their Euro equivalents at the rates ruling at the year-end. Transactions during the year have been translated at the rate of exchange ruling at the date of the transactions.

## ACCOUNTING POLICIES (continued)

### (e) Investment income

Income from quoted securities is accounted for when received. Income earned on investments in unit linked funds is not distributed but is accumulated with the capital of the funds. Any investment income earned relates to distributions actually paid out by the Investment Managers.

### (f) Investment management fees

Investment management fees are calculated as a percentage of the assets under management. Fees relating to unit funds are levied directly in either the unit price or by surrendering units from the Scheme to the value of the fee. Fees incurred in the year relate to funds managed on a segregated basis. All fees are borne by the Scheme.

### (g) Transfer to / from schemes

Transfer values are accounted for as they are received / paid at values determined by the Actuary advising the Trustee.

### (h) Taxation

The Scheme has been approved as an "exempt approved scheme" for the purposes of Section 784 and 785 of the Taxes Consolidation Act, 1997 and thus the Schemes income and gains are exempt from taxation with the exception of the Pension Levy which is borne by the Scheme. The levy was introduced by section 4 of the Finance (No. 2) Act 2011 under section 125B of the Stamp Duty Consolidations Act 1999 which introduced a four-year annual levy of 0.6% on the aggregate market value of private pension funds at a fixed valuation date of 30 June for each of the years 2011 to 2014 inclusive. An additional levy of 0.15% was announced in the 2014 budget for the years 2014 and 2015. In effect this means that the levy imposed on pension schemes in 2014 will be 0.75% and in 2015 will be 0.15%. This Pension Levy is accounted for in full in the year that it is paid.

## 2. Benefits

| | 2014 € | 2013 € |
|---|---|---|
| Pensions | 12,364,472 | 12,361,121 |
| Lump sum death benefits | 173,074 | 523,634 |
| AVC early drawdown | 114,558 | 86,380 |
| Lump sum retirement benefits | 5,095,710 | 5,284,230 |
| | 17,747,814 | 18,255,365 |

## 3. Leavers

| | 2014 € | 2013 € |
|---|---|---|
| Refund of member contributions | 30,484 | 42,428 |
| Transfer to other pension arrangements | 6,487,756 | 9,578,718 |
| Transfer to approved retirement funds | 8,770,157 | 8,687,879 |
| | 15,288,397 | 18,309,025 |

## 4. Other costs

| | 2014 € | 2013 € |
|---|---|---|
| Risk costs | 1,000,000 | 1,061,604 |
| Pension Levy | 2,578,278 | 2,454,287 |
| | 3,578,278 | 3,515,891 |

Death and ill-health retirement benefits are substantially insured for the year under review by Irish Life. Substantially all of these amounts have or will be collected. These amounts are recovered and included in contribution receipts from participating employers. In the long term there is no expense to the fund.

The Scheme is subject to an annual pension levy of 0.6% on the aggregate market value (excluding contingent assets) of Scheme assets commencing on 30 June 2011.

## 5. Administrative expenses

| | 2014 € | 2013 € |
|---|---|---|
| Administration charges | 1,608,333 | 1,650,000 |
| Pension Authority fees | 4,012 | 4,585 |
| Legal and consultancy fees | 56,249 | 58,498 |
| Trustee costs | 55,096 | 52,775 |
| Marketing costs | 12,006 | – |
| New pension administration system | – | 126,732 |
| Audit fee | 33,210 | 33,770 |
| Bank charges | 1,739 | 2,527 |
| | 1,770,645 | 1,928,887 |

## 6. Investment income

| | 2014 € | 2013 € |
|---|---|---|
| Deposit interest | 51,724 | 192,659 |
| Quoted and other securities | 806,980 | 124,601 |
| | 858,704 | 317,260 |

## 7. Investments

| | 2014 € | 2013 € |
|---|---|---|
| **Main fund - Pooled investment vehicles** | | |
| Equities | | |
| United Kingdom | 7,809,527 | 6,993,500 |
| Rest of Europe | 11,454,540 | 13,946,227 |
| U.S.A. | 50,799,009 | 44,161,305 |
| Japan | 7,639,984 | 7,349,566 |
| Rest of world | 28,430,068 | 19,026,702 |
| | 106,133,128 | 91,477,300 |
| Fixed interest | 31,841,664 | 29,616,243 |
| Property | 12,895,402 | 13,063,814 |
| Cash and cash instruments | 10,611,780 | 66,840 |
| Alternatives | 30,123,000 | 24,807,871 |
| | 191,604,974 | 159,032,068 |

7. **Investments (continued)**

| | 2014 € | 2013 € |
|---|---|---|
| **Pensioner fund - Pooled investment vehicles** | | |
| Cash | 2,572,379 | 356,204 |
| Fixed interest - Eurozone | 230,366,382 | 226,773,984 |
| | 232,938,761 | 227,130,188 |
| **Cash fund** | | |
| Pooled investment vehicles - Irish | 30,715,682 | 48,744,691 |
| Cash on deposit | 2,072,927 | 7,227,756 |
| | 32,788,609 | 55,972,447 |
| Total investments | 457,332,344 | 442,134,703 |

| | Value brought forward | Purchases at cost | Sales proceeds | Change in market value | Value carried forward |
|---|---|---|---|---|---|
| | € | € | € | € | € |
| Pooled and directly held investments | 434,906,947 | 6,992,342 | (23,202,325) | 36,562,453 | 455,259,417 |
| Cash on deposit | 7,227,756 | | | | 2,072,927 |
| | 442,134,703 | | | | 457,332,344 |

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. Indirect transaction costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amounts of indirect transactional costs are not separately provided to the Scheme.

## 8. Investment Management Fees

| | 2014 € | 2013 € |
|---|---|---|
| Investment management fees | 175,595 | 130,387 |

## 9. Current Assets

| | 2014 € | 2013 € |
|---|---|---|
| Risk premium prepaid | – | 438,396 |
| Pension payroll | 805,469 | 822,964 |
| Pension Authority fees | 2,333 | 2,345 |
| Prepayments and accrued income | 4,357 | 68,726 |
| Management charges | 129,167 | – |
| | 941,326 | 1,332,431 |

## 10 Creditors and Accruals

| | 2014 € | 2013 € |
|---|---|---|
| Sundry accruals | 92,644 | 38,967 |
| Risk premium due | 280,804 | – |
| Investment managers fees | 76,065 | 28,723 |
| Audit fees | 33,210 | 33,210 |
| Legal fees | – | 10,981 |
| PAYE/PRSI payable | 218,486 | 229,707 |
| | 701,209 | 341,588 |

## 11. Potential Benefit Liabilities

The Trustee is not aware of any significant potential liabilities that exist at the year end which relate to members leaving or retiring from the scheme at or before the year end.

## 12. Related Party Transactions

(a) The Trustee

The Trustee of the Scheme is outlined on page 6 of the report. Trustee costs incurred is disclosed in note 5 to the financial statements

(b) Registered Administrator

The Trustee has appointed a Scheme administrator to carry out all administration functions associated with the Scheme. This administrator has been listed on page 6 of the report. Costs borne by the Scheme in respect of such administrative functions comprise administration charges as disclosed in note 5 to the financial statements.

(c) The Investment Managers

The Trustee has appointed a number of Investment Managers to manage the Scheme's assets. A list of the investment managers has been included on page 7 of this report. Investment management fees are calculated as a percentage of the assets under management as described in note 1(f). Fees incurred are disclosed in note 8.

## 13. Subsequent Events

Since the year end, there have been no events that would require amendment to or disclosure in the financial statements.

# 08

# Internal Disputes Resolution Procedure

## Internal Disputes Resolution Procedure (or IDRP) is a set of procedures drawn up in order to deal with certain types of complaints that may be made by actual or potential beneficiaries of the pension plan.

Two types of complaint are eligible for the IDRP:

1. An actual or potential beneficiary alleges that they have sustained a financial loss due to maladministration, or

2. An actual or potential beneficiary has a dispute of fact or law in relation to an action taken by a person responsible for managing the scheme.

The Pensions Ombudsman can only consider complaints that have already gone through the IDRP. Complaints may be referred to the Ombudsman if, having gone through IDRP, you are not satisfied with the outcome.

Complaints should, in the first instance, be brought with any supporting documents to your employer's pension contact and be discussed. If a resolution is not agreed you can contact the Scheme Administration at Canal House, Canal Road, Dublin 6. (Phone 01 407 1430).

If you are not satisfied with the Administration's response then you can bring your complaint or dispute to the Trustee. The complaint must be brought in writing in the prescribed format. On receiving the letter, the Trustee or their representatives will initially assess the complaint. They will consult with any parties involved in the dispute. They will provide these parties with details of the case and consider their recommendations. The Trustee may also discuss the case with expert advisers and seek their opinion on the merits of the case.

The Trustee will make a decision in relation to the complaint or dispute and respond to the complainant in writing in a prescribed format within three months of receipt of the required information from the complainant. This response is referred to as a Notice of Determination.

If any party to the dispute does not accept the decision of the Trustee, they are then free to refer the matter to the Pensions Ombudsman at 36 Upper Mount Street, Dublin 2, for final adjudication.

For full details of the Internet Dispute Resolution procedure, please contact the Administration team.

# Notes

CERS

BUILDING FOR **YOUR FUTURE**

**CONSTRUCTION EXECUTIVE RETIREMENT SAVINGS**
Canal House, Canal Road, Dublin 6

T +353 1 407 1430
F +353 1 507 7490
E info@cers.ie

Retirement Savings / Protection / Investments

www.cers.ie