◂ pational schemes can bring," he argues. The IAPF's view is shared by the Pensions Council, established to offer the government advice on pensions matters with a focus on consumer interests. Towards the end of 2016, the council told the regulator that lay trustees should continue to be encouraged, while urging stricter requirements for anyone responsible for a master trust.

And while a reduction in the number of lay trustees is certainly the desired outcome, so far the IAPF has only proposed a system of trustee qualifications to improve the level of talent. Such an approach might not necessarily be the best solution, argues Philip Shier, speaking on behalf of the Society of Actuaries in Ireland, which views trustee education courses every two years as repetitive and lacking value. He says that while the current trustee system works for larger-scale pension funds, the "onerous" nature of trusteeship may be unnecessary for smaller schemes, suggesting instead contract-based solutions, or the regulator's master trust approach. However, even where contract-based and for-profit ventures are permitted there should be safeguards, according to the IAPF. Moriarty points towards the Independent Governance Committees imposed on UK contract-based schemes as a way of ensuring member interests are represented, even in a for-profit system.

Perhaps hoping to avoid some of the problems that have befallen the UK, the regulator is proposing that master trusts be authorised prior to entering the market. "This would enable the Authority to perform a gatekeeper role and ensure that schemes and trustees seeking entry to the pension system are properly structured, have robust governance processes and procedures in place and are therefore capable of providing good member outcomes," the regulator's own consultation notes. Further, and in contrast to the UK, master trusts would be expected to submit business plans. The stricter rules should also be applied to existing pension funds, the Pensions Council has suggested, a step likely to lead to further consolidation which, it said, was "desirable".

As far as other structures ensure auto-enrolment is a success, Moriarty says Ireland could cherry-pick elements from the UK and New Zealand. In New Zealand, the local tax office processes payments and diverts them to the superannuation provider, and also appoints a number of default providers into which less-engaged workers are placed. However, Moriarty is not expecting the Irish government to launch its own provider of last resort, the approach pursued in the UK with the National Employment Savings Trust (NEST). Many in the industry believe the cost would be prohibitive. "I think it's difficult for a small country to do something like NEST," says Moriarty, "so I think we're more likely to have approved providers rather than a quasi-government-approved arrangement."

"I think it's difficult for a small country to do something like NEST, so I think we're more likely to have approved providers, rather than a quasi-government-approved arrangement"

Jerry Moriarty

Even with stakeholder consensus emerging on how the pension system should look, politicians need to agree how contributions will be phased in. Could a slow introduction see pay raises deferred, as in Australia, or would workers be required to take money from their existing pay packet on the understanding that employers match contributions, as the case in the UK?

Employer and union organisations have suggested for some time that the Universal Social Charge (USC), a progressive tax introduced in the wake of the 2010 bailout, should be diverted to pensions as it is phased out. Consensus on such a key point would give the government cover to push ahead, yet the first of the reductions in the USC went ahead in last year's budget without the pension reform in place.

Retaining support from key stakeholder groups such as employers and unions will be crucial, and Varadkar has suggested he would only proceed if there were broad political, but also societal, consensus. "I think the minister is sounding genuinely very keen about it; he sees the long return picture," Moriarty says. "But, it is so hard for anything to get through the government at the moment." The problems arise from Fine Gael leading a minority government of which only one-third of parliament is a member, leaving ample room for opposition groups to disrupt proceedings.

Moriarty predicts that if action is not taken in 2017, pension reform will stall for several years, probably until the second year of the next government. Any proposals arising at that point will be published close to the 10th anniversary of the National Pensions Framework, the landmark report that first urged the drafting of a long-term plan for the introduction of auto-enrolment on the eve of Ireland's bailout by the troika.

Top marks for achievement

Ireland's sovereign development fund is fully established and building up a sizeable and diverse portfolio. **Jonathan Williams** talks to director **Eugene O'Callaghan** about the fund's development

Ireland Strategic Investment Fund

Two years after its launch, the Ireland Strategic Investment Fund (ISIF) has proven itself, according to Eugene O'Callaghan, its director. "It's certainly been through the proof-of-concept stage. That's reflected in the portfolio we've begun to build' up, and reflected in a very strong pipeline, too."

Initially announced five years ago, the €8bn venture was seeded from the remnants of the National Pensions Reserve Fund (NPRF), which was also overseen by O'Callaghan, and given a dual mandate of achieving investment returns and stimulating Ireland's post-bailout economic growth. While initial commitments were generally towards loans to small and medium-sized enterprises (SMEs), the banking sector's recovery has seen ISIF offer higher-risk capital where, according to O'Callaghan, there is still a gap. "It's very important for our mandate, in the context of economic impact, that we're additional – we're not achieving anything if we're just replacing willing private sector investors, or banks."

Acting as a cornerstone investor allows ISIF to be a catalyst and, to date, its €2.4bn in committed capital has attracted €6.7bn in investments. The role as cornerstone investor has seen initial commitments to fund launches and the establishment of property joint ventures with partners such as KKR – but also initial public offerings (IPOs). This was the case when it acquired 15% of life sciences company Malin in March 2015. "There wasn't a lot of willing capital here, and our being there was really helpful to give comfort to some international investors."

It was not just a desire to support the IPO that led ISIF to invest but also assurances from the firm that €150m would be invested in local life-sciences companies, leading to the creation of 200 full-time roles within five years. These positions are in addition to the nearly 19,000 jobs created to date by the ISIF's activity.

Job creation is only one of the metrics used to demonstrate impact, and the fund publishes bi-annual economic impact reports, detailing salaries paid, the percentage of goods exported and how deployed capital is geographically spread across Ireland. While these numbers are key to demonstrating its success, O'Callaghan says it is important to make ISIF's activities accessible and comprehendible. "We've expanded our reporting to be a bit more verbal, a bit more qualitative, a bit more case-study driven, and I think that will enhance the pure quantitative economic impact metrics we are producing."

To this end, the latest report shows how two housing initiatives could see the construction of 15,000 homes, or one renewable energy project it has co-financed could provide cleaner power for 80,000 homes – similar to the impact metrics employed by the UK's Green Investment Bank.

ISIF is in no hurry to deploy its capital. Despite stating that all assets would be deployed within four years of the fund's launch, O'Callaghan now says it might be 2022 before the NPRF portfolio is brought into line with ISIF's new mission. He says the longer time frame is the result of investments taking longer to draw down than anticipated, despite a "pretty steady" pace of commitments, removing the necessity to sell the NPRF's existing global portfolio.

"It's very important for our mandate, in the context of economic impact, that we're additional – we're not achieving anything if we're just replacing willing private sector investors, or banks"

Eugene O'Callaghan

However, despite the slower than expected allocation of capital, the government seems pleased with O'Callaghan.

In a vote of confidence, the government asked ISIF to invest the proceeds of its sale of AerLingus to International Airlines Group. The ensuing ring-fenced €335m Connectivity Fund has since made investments – a re-allocation of existing NPRF bond issuance by the operators of Dublin Airport, and a stake in a sub-sea fibre optic network from New York through Dublin to London.

But the Connectivity Fund's size should not be seen as a limit to the ISIF's investments to boost physical, digital and energy connectivity. O'Callaghan says future investments could straddle both portfolios. "It's really that the government wants to ensure there is a minimum of the proceeds of AerLingus re-invested in connectivity, but if there's more than that, then yes, that's great too."

O'Callaghan expects connectivity to remain key for Ireland. Asked about the UK's decision to leave the European Union, he points to the opportunities it could present the Irish economy, if not the ISIF itself, from Brexit, as business looks to move offices to European cities, including Dublin. "We will be very hopeful Ireland will get a reasonable chunk of whatever moves out of London, and we are finding, as a country, that Brexit is creating opportunities that weren't there six months ago."

IPE Survey Managers of Irish Institutional Assets

In summary

Survey overview

Total number of managers in survey	30
Total assets managed for Irish institutional clients (€m)	158,361
Total managed for Irish pension fund clients (€m)*	50,654
Total managed for Irish insurance company clients (€m)*	18,167
Total managed for all other Irish institutional clients (€m)*	33,592
Total managed through segregated accounts (€m)*	55,944
Total managed through pooled funds (€m)*	46,257
Total actively managed (€m)*	46,155
Total passively managed (€m)*	7,844
Total in balanced mandates (€m)*	783
Total in specialist mandates (€m)*	48,200

*Where disclosed

Top 10 – Irish institutional assets

	Company	€m	As at
1	Irish Life Investment Managers	53,375	30/06/16
2	State Street Global Advisors	24,964	30/09/16
3	Goldman Sachs Asset Management	24,812	30/09/16
4	Legal & General Investment Management	9,139	30/06/16
5	Setanta Asset Management	6,935	30/09/16
6	Acadian Asset Management (UK)	6,305	31/10/16
7	BlackRock	5,566	09/09/16
8	Standard Life Investments	4,889	30/06/16
9	PIMCO	4,104	30/09/16
10	Deutsche Asset Management	3,350	30/09/16

Top 10 – Irish pension assets

	Company	€m	As at
1	Goldman Sachs Asset Management	17,281	30/09/16
2	State Street Global Advisors	11,164	30/09/16
3	Legal & General Investment Management	8,849	30/06/16
4	BlackRock	5,210	09/09/16
5	Standard Life Investments	2,494	30/06/16
6	PIMCO	1,498	30/09/16
7	Arrowstreet Capital	1,201	30/09/16
8	Northern Trust Asset Management	960	30/09/16
9	KBI Global Investors	451	30/09/16
10	Acadian Asset Management (UK)	290	31/10/16

Top 10 – Irish inst. assets in segregated accounts

	Company	€m	As at
1	Goldman Sachs Asset Management	20,867	30/09/16
2	State Street Global Advisors	15,451	30/09/16
3	Legal & General Investment Management	4,168	30/06/16
4	Deutsche Asset Management	3,350	30/09/16
5	PIMCO	3,339	30/09/16
6	Standard Life Investments	1,945	30/06/16
7	Arrowstreet Capital	1,862	30/09/16
8	BlackRock	939	09/09/16
9	Conning	821	30/09/16
10	BlueBay Asset Management	591	30/09/16