The Actuarial Profession
making financial sense of the future

Equity Debate
Edwin S Topper, Partner, Mercer Limited

"This House believes that in DB pension investments we should not be bound by Bonds and that there is an opportunity for Equity."

© 2010 The Actuarial Profession • www.actuaries.org.uk

Jeanne Calment

© 2010 The Actuarial Profession • www.actuaries.org.uk

Gilt Valuation methods have led to gilts investment policies

© 2010 The Actuarial Profession • www.actuaries.org.uk

The problem is our valuation methodology not the contribution of equities

© 2010 The Actuarial Profession • www.actuaries.org.uk

No growth of pension

No need for growth

No need for equity

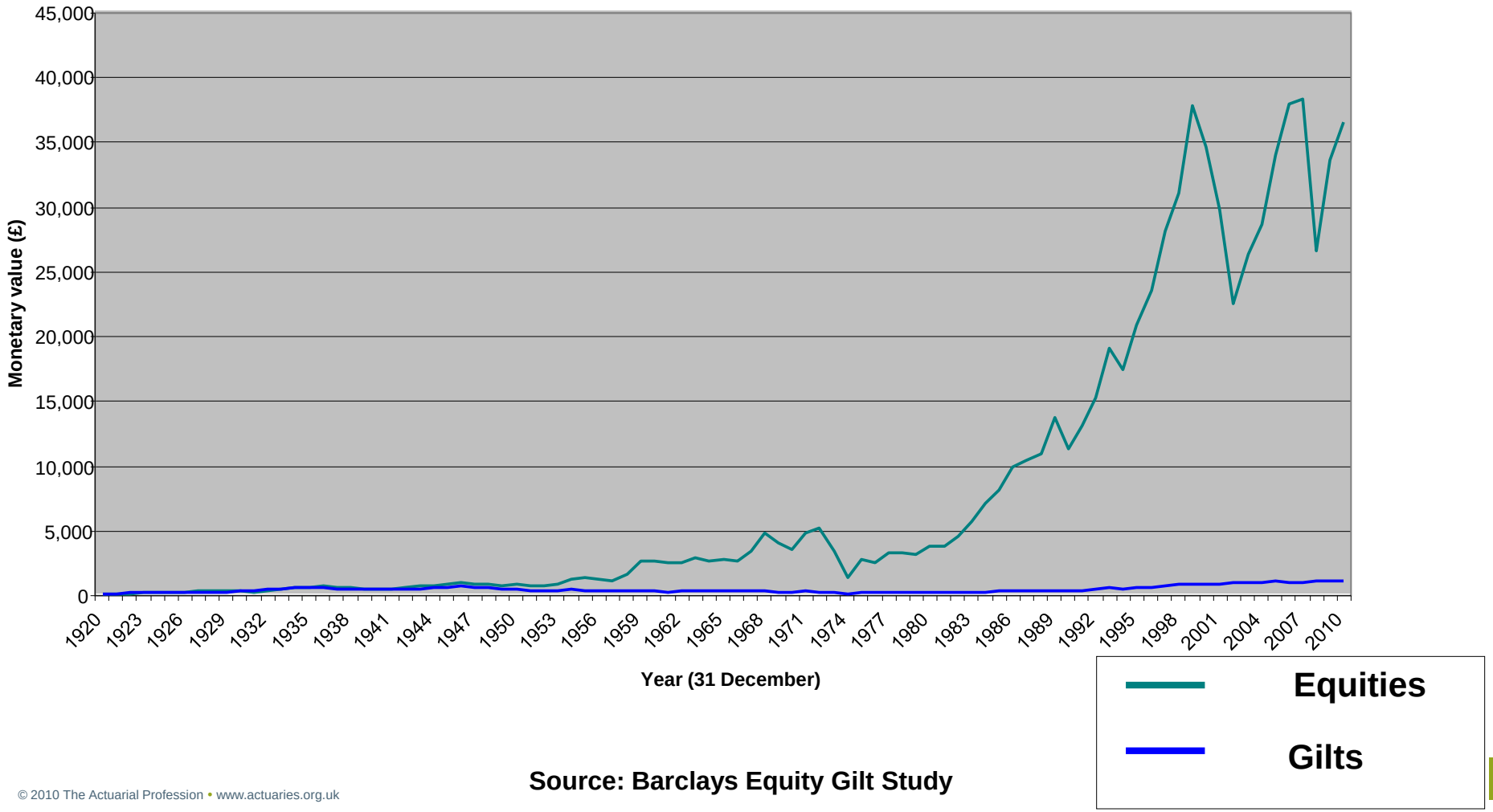
(if fully funded!)

© 2010 The Actuarial Profession • www.actuaries.org.uk

Equities are not some kind of magic potion

© 2010 The Actuarial Profession • www.actuaries.org.uk

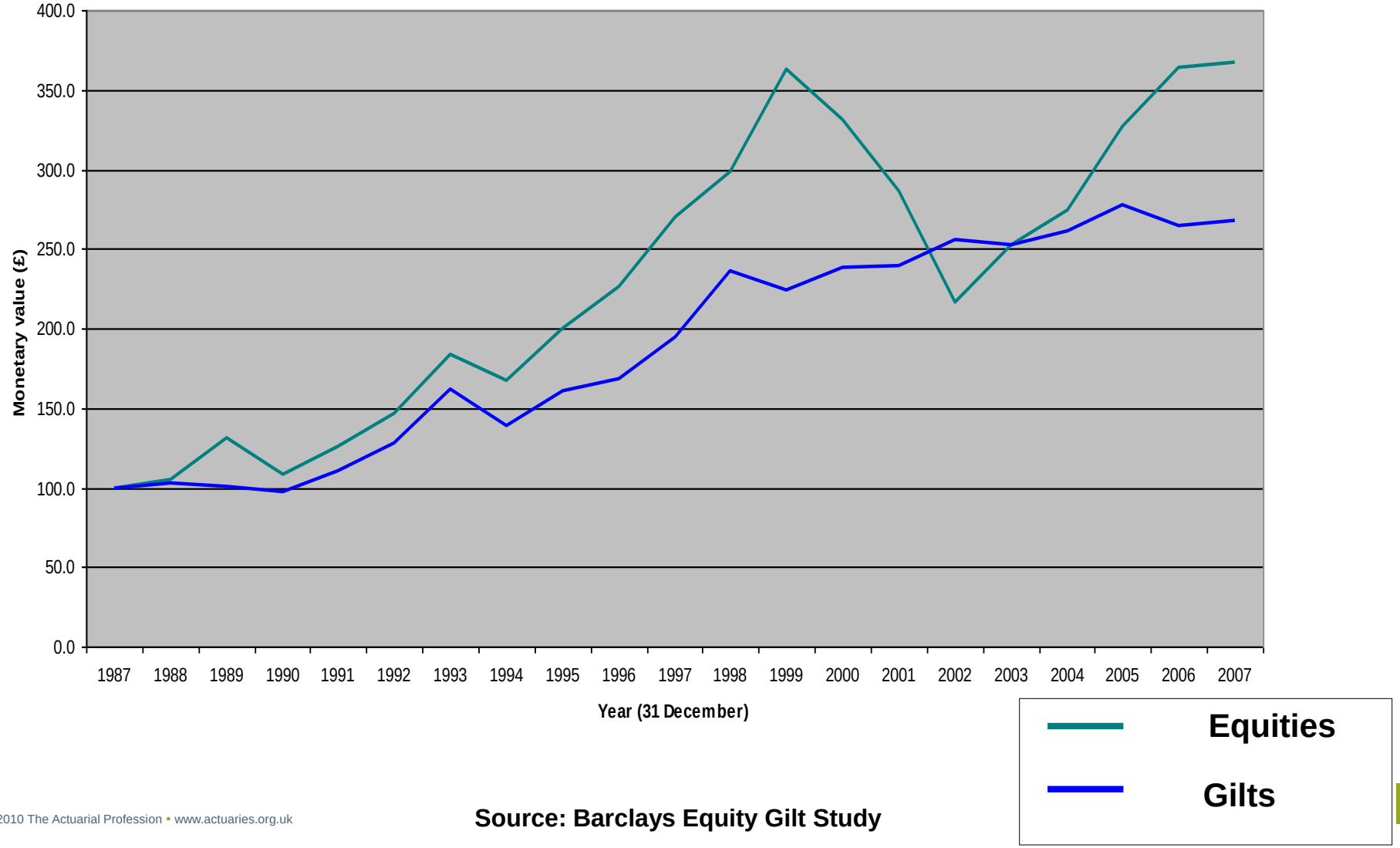
“Real” value of £100 invested at 31 December 1920 for 90 years



Source: Barclays Equity Gilt Study

© 2010 The Actuarial Profession • www.actuaries.org.uk

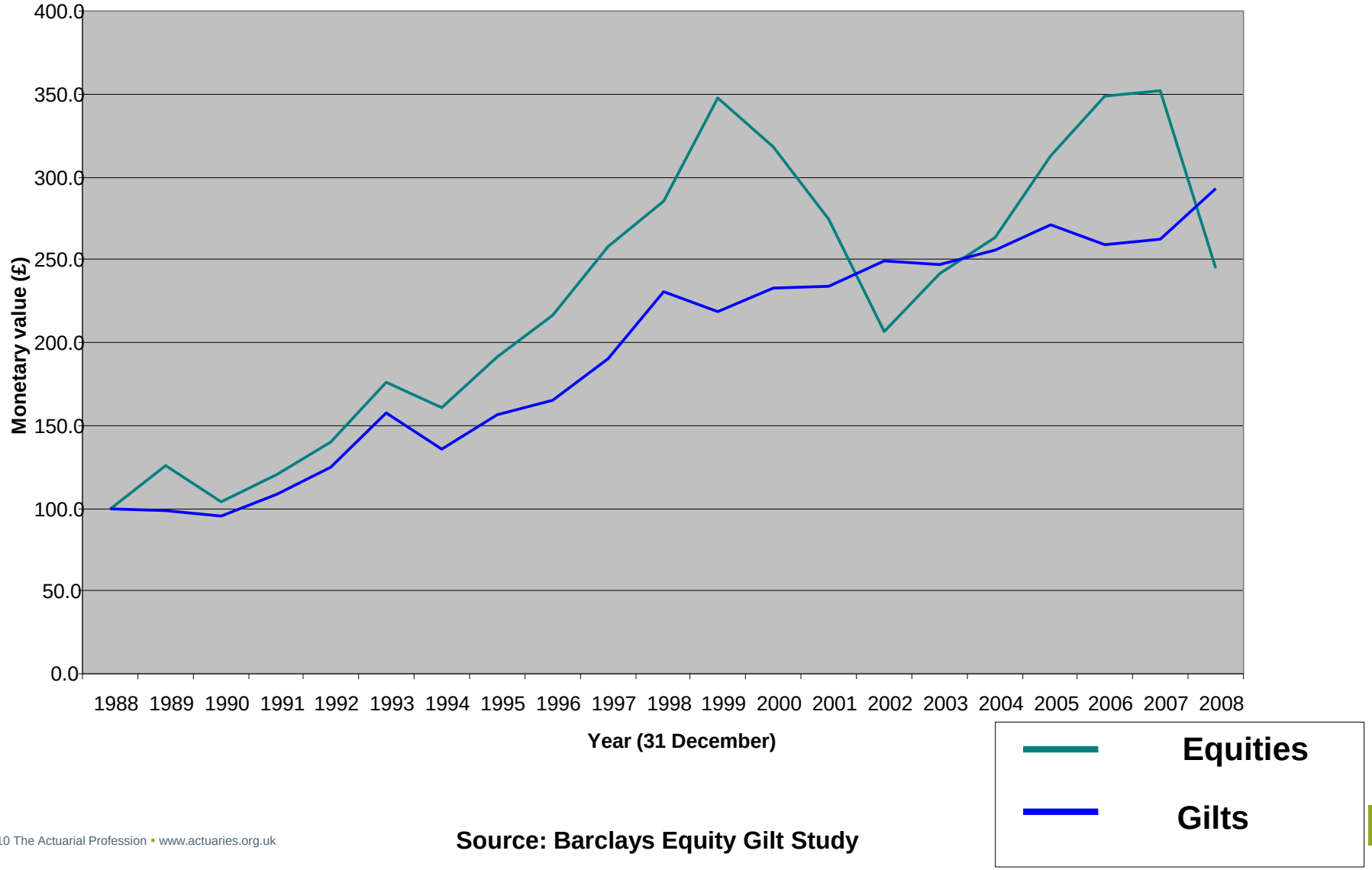
“Real” value of £100 invested at 31 December 1987 for 20 years



Source: Barclays Equity Gilt Study

© 2010 The Actuarial Profession • www.actuaries.org.uk

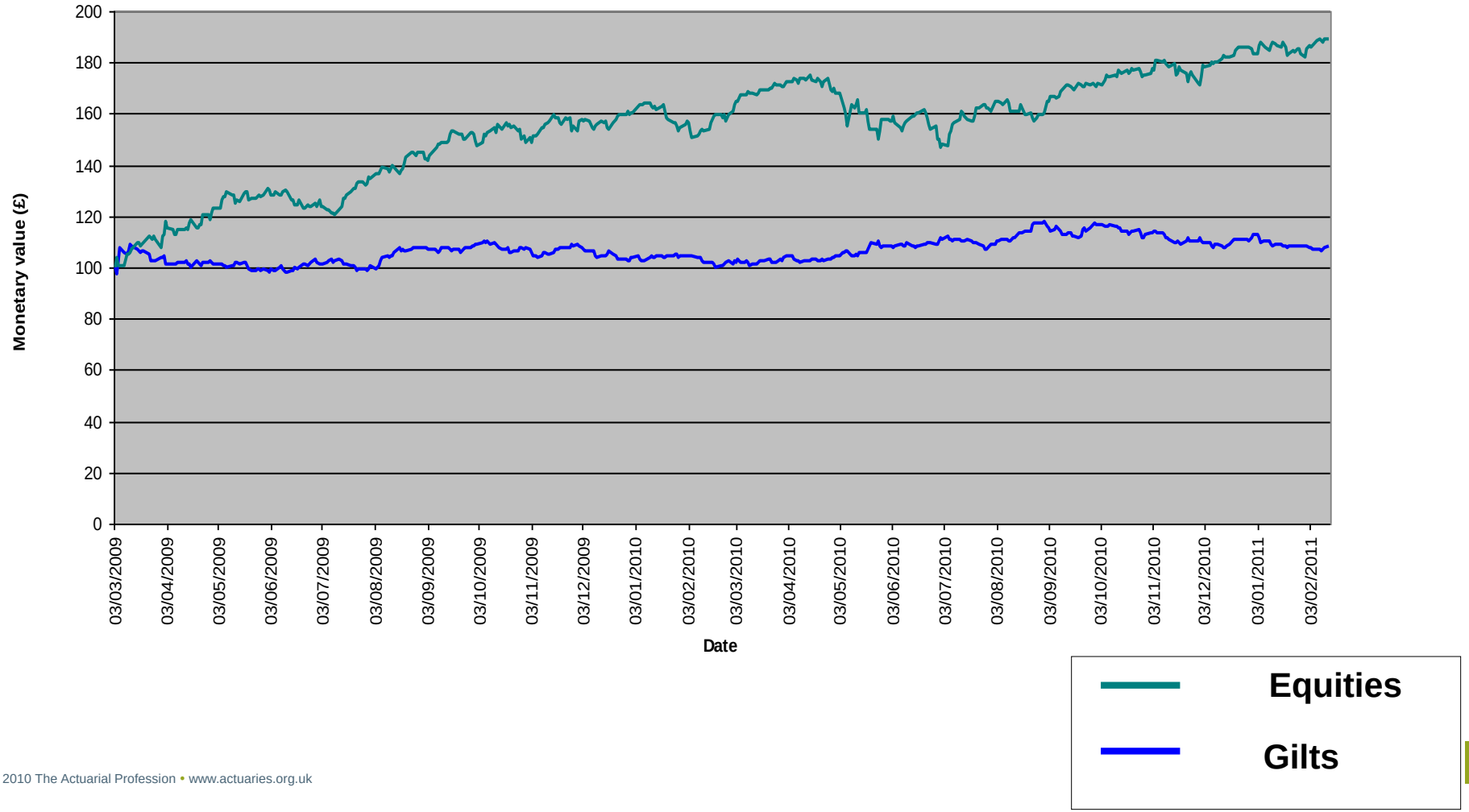
“Real” value of £100 invested at 31 December 1988 for 20 years



Source: Barclays Equity Gilt Study

© 2010 The Actuarial Profession • www.actuaries.org.uk

Total Return on investment of £100 at 3 March 2009 to 14 February 2011



© 2010 The Actuarial Profession • www.actuaries.org.uk

Eyjafjallajökull volcano, Iceland

1906 San Francisco earthquake

Gilts lead to higher costs

Vote for decent pensions by voting for this motion