

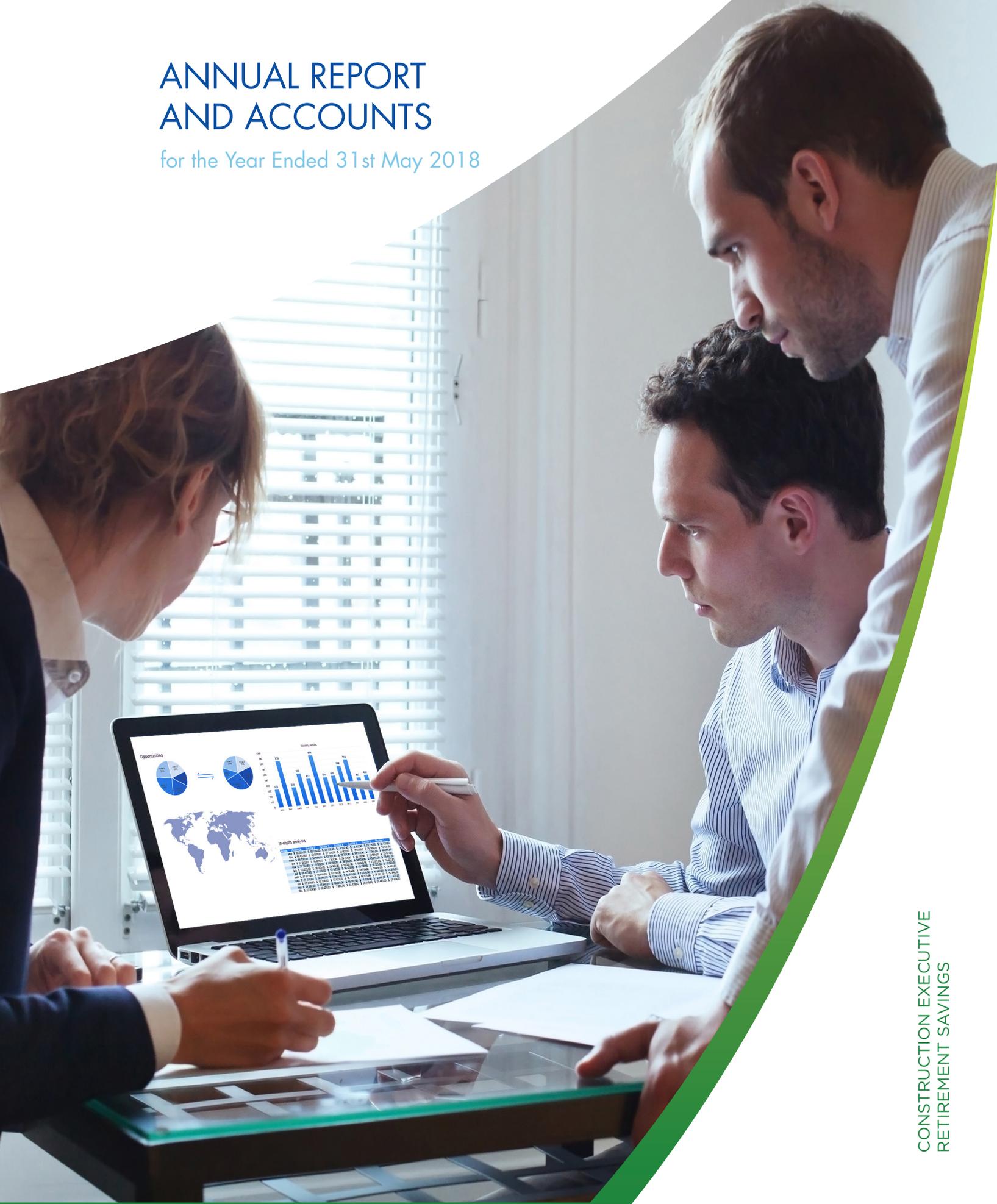


**CERS**

BUILDING FOR YOUR FUTURE

# ANNUAL REPORT AND ACCOUNTS

for the Year Ended 31st May 2018



CONSTRUCTION EXECUTIVE  
RETIREMENT SAVINGS

## Building For Your Future

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

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# 01

## Chairman's Message



On behalf of the Board I am pleased to present you with the Annual Report of Construction Executive Retirement Savings (CERS) for the year ending 31st May 2018.

CERS is a Master Trust with an Independent Trustee Company which offers an important additional layer of independent protection for employers and employees. For employers, it removes the significant responsibility for taking on the Trustee role and the ensuing statutory and regulatory issues which arise. For employees, it ensures that their interests as members of CERS are always treated as paramount.

The Directors of the Trustee Company meet on a monthly basis (with the exception of August). Through regular meetings with our independent investment adviser, the various fund managers and the Scheme's actuarial and administration team, we are kept informed about the investment markets, the performance of the various Scheme's fund managers and any legislative or regulatory changes. On 1st February this year we appointed new investment advisers, Mercer, following an extensive search process. We regularly review and fulfil the Trustee training requirements and keep ourselves up to date on pension industry developments.

CERS gives members a wide choice of investment options and gives them online access with up to date values of their savings and their prospective pension entitlements.

I would again this year like to encourage members to consider the option of making additional voluntary contributions (AVCs) as a tax efficient way of saving for their retirement.

In conjunction with our Administration Company, CIF Pension Administration Services DAC (CPAS), we can offer to those members approaching retirement 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 team 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 Actuary's statement. We hope that you will find the report to be of interest and would encourage you to read it.

If you have any queries on the content of this report or if you require further particulars on CERS or 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](http://www.cers.ie) or [www.milestoneadvisory.ie](http://www.milestoneadvisory.ie)

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

A handwritten signature in blue ink that reads "Leo Crehan".

Leo Crehan  
Chairman of the Trustee

## 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.
- SSGA, KBI, Friends First and IPUT all actively manage property portfolios within the Property Fund.
- Funds under Management with Irish Forestry Unit Trust (IFUT), the Irish Infrastructure Fund (IIF), Abbey Capital, with effect from September 2017, and Aberdeen Standard Investments Infrastructure Fund, with effect from March 2018, form the Alternative Asset Fund. Funds previously under management with Standard Life GARS and BNY Mellon were disinvested in March 2018.
- 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.
- Over the scheme year the Multi Asset Fund recorded a net investment return of 4.3%. Please refer to [www.cers.ie/funds](http://www.cers.ie/funds) for information on returns from 1st June 2018 to date.
- Total benefits paid since the inception of CERS amount to €453.985 million.
- Total contributions by participating employers (and their employees) for the year amounted to €19.63 million. This represents an increase over the previous 12 months.
- An actuarial valuation of the Scheme was carried out as at 31st May 2018 and this indicated that the Scheme's assets were €8.3 million in excess of its liabilities on the statutory Minimum Funding Standard basis and €24.2 million in excess of its liabilities on the ongoing actuarial basis. The next actuarial valuation will be carried out to ascertain the value of the assets and liabilities as at 31st May 2019.
- At 31st May 2018 there were 1,639 active members in relevant employment. There were 1,079 pensioners receiving benefit and 2,005 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 (as amended).

## 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. It is classed as a defined benefit scheme for the purposes of the Pensions Act, 1990.

### THE BENEFIT OF CERS

CERS offers a transparent competitive charging structure, comprehensive Investment Fund choices, two Lifestyling options 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 protection and death 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 presentations to staff groups.

### FLEXIBLE APPROACH

We have a long history of providing flexible pension arrangements and protection benefits and over the years, we've learned to adapt to the ever-changing nature of the industry. 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. The Trustee have appropriate procedures for the payment and receipt of contributions.

CERS provides investment strength through our two guided lifestyling investment approaches, our 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.

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. Where applicable, pensions are increased annually. The level of increase granted will be in line with the option chosen by the member at the time of retirement.

## 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. As part of their training, all of the Trustees have access to the Pensions Authority 'Trustee Handbook and Guidance Notes'.

## 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.

A key element of our communication is a strong visual identity reinforcing the message that a pension is 'Building for your future'. Our Administration System was developed to streamline administration. CERS has a dedicated website [www.cers.ie](http://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 have our pension calculator on [www.cers.ie](http://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.

CPAS, who are the Administration Company responsible for administering CERS, issue a 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](http://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 DAC t/a Milestone Advisory is regulated by the Central Bank of Ireland.

## INTERNAL DISPUTES RESOLUTION PROCEDURE

The Internal Disputes Resolution Procedure (or IDR) 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. 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 and then, if you are not satisfied with the Administration's response, the Trustee. If any party to the dispute does not accept the decision of the Trustee, they are then free to refer the matter to the Financial Services and Pensions Ombudsman at The Office of Financial Services and Pensions Ombudsman, 4th Floor, Lincoln House, Lincoln Place, Dublin 2, for final adjudication.

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

For full details of the Internal Dispute Resolution procedure, please contact the Scheme Administration at Canal House, Canal Road, Dublin 6. (Phone 01 407 1430).

# 03

## Looking after your Scheme

<b>Trustee</b>	Construction Executive Retirement Savings Trustee Designated Activity Company
<b>Officers of the Trustee</b>	<p>DIRECTORS</p> <p>Leo Crehan (Chairman)</p> <p>Colman Cronin</p> <p>Michael Kennedy</p> <p>Gerry Morrissey</p> <p>Brian O'Neill</p> <p>Conor Scott</p>
<b>Company Secretary</b>	Gabriel P. MacGrath
<b>Secretariat to the Trustee</b>	Anne Keogh
<b>Scheme Administrator</b>	<p>CIF Pension Administration Services Designated Activity Company (CPAS)</p> <p>Canal House, Canal Road, Dublin 6</p>
<b>CERS Administration Team</b>	
Manager:	Frances McNally
Consultants:	John Geraghty, Damien Starken
<b>Scheme Actuary</b>	<p>James O'Connor</p> <p>Consulting Actuary</p> <p>Willis Towers Watson Ireland</p> <p>Willis Towers Watson House, Elm Park, Merrion Road, Dublin 4</p>
<b>Auditor</b>	<p>Grant Thornton, Registered Accountants &amp; Statutory Audit Firm</p> <p>13-18 City Quay, Dublin 2</p>
<b>Bankers</b>	<p>Allied Irish Banks Plc.</p> <p>1-4 Lower Baggot Street, Dublin 2</p>

**Custodians**

Bank of Ireland Securities Services  
New Century House, International Financial Services Centre,  
Mayor Street Lower, Dublin 1

Citibank Europe Plc.  
1 North Wall Quay, International Financial Services Centre, Dublin 1

**Investment Adviser**

Appian Asset Management (ceased 31 January 2018)  
42 Fitzwilliam Place, Dublin 2

Mercer (appointed 1 February 2018)  
Charlotte House, Charlemont Street, Dublin 2

**Investment Managers**

Abbey Capital  
1-2 Cavendish Row, Dublin 1

Allied Irish Banks Plc.  
1-4 Lower Baggot Street, Dublin 2

Allied Pension Trustees Limited (ceased June 2017)  
Apex Centre, Blackthorn Road, Sandyford, Dublin 18

AMP Capital  
31 Leeson Street Lower, Dublin 2

BNY Mellon Asset Management (ceased 16 March 2018)  
One Dockland Central, Guild St, North Dock, Dublin 1

Friends First DAC  
Friends First House, Cherrywood Business Park, Loughlinstown, D 18

Irish Forestry Unit Trust  
1st Floor, Unit 7, Woodford Business Park, Santry, Dublin 17

Irish Life Investment Managers Limited  
Beresford Court, Beresford Place, Dublin 1

Irish Property Unit Trust (IPUT) Plc.  
47-49 St Stephens Green, Dublin 2

KBI Global Investors Limited  
3rd Floor, 2 Harbourmaster Place, IFSC, Dublin 1

SL Capital Partners LLP  
1 George Street, Edinburgh, EH2 2LL Scotland

Standard Life Investments (ceased 19 March 2018)  
1 George Street, Edinburgh, EH2 2LL Scotland

State Street Global Advisors Ireland Limited (SSGA)  
78 Sir John Rogerson's Quay, Grand Canal Dock, Dublin 2

**Insurers**

Irish Life Assurance Plc.  
Irish Life Centre, Lower Abbey Street, Dublin 1

**Solicitors**

Arthur Cox  
Ten, Earlsfort Terrace, Dublin 2

# 04

## Investments

### Investments Review

1st June 2017 to 31st May 2018

Globally economic conditions continued to be supportive throughout the year to end May 2018. In the US, economic data was strong throughout the year driving economic growth across the region. US manufacturing activity grew, labour markets strengthened further and US unemployment reached its lowest level since 2000. The Eurozone also saw ongoing improvement in economic growth, with strong labour markets and unemployment reaching its lowest level since 2009. While fundamentals continued to be strong, investors considered the impact of US trade tariffs and political issues in Italy, North Korea and Turkey.

The year ending May 2018 was a strong year for global equities, driven by the strong economic environment throughout. The first half of the period was particularly strong, with volatility returning to investment markets in early 2018. In February 2018, the prolonged period of steady returns and low volatility in investment markets came to an abrupt end following the release of US inflation and wage data. The selloff was triggered, not by weak economic data, but by strong wage growth numbers causing investors to worry that US interest rates would rise substantially faster than investors expected. The equity sell-off was subsequently echoed in the Eurozone, Emerging Markets and Japan. Following this volatility in February and March, markets moved higher over April to May, resulting in a strong 12 months overall for global equities, with Emerging Market Equities and Small Cap Equities posting double digit returns for the year.

Bond yields rose over the 12-month period in the US, influenced by the Federal Reserve raising interest rates throughout the year. The target federal funds rate at the start of June 2017 was 0.75% - 1.00%, increasing to 1.50% - 1.75% by end May 2018. Long dated Eurozone bond yields remained largely unchanged throughout the year with the exception of Italian bond yields which saw a spike in May 2018 as a result of political uncertainty following a general election. This saw the 2 year Italian bond yield rise by c. 3% in one day, the largest daily swing ever.

The dynamics seen in global markets over the 12-month period were reflected in the returns of the funds in the Scheme. Equities performed well, with the CERS Equity Fund seeing strong positive returns over the period, despite the volatility in early 2018. Bonds had a relatively quiet year, ending the period largely flat. The CERS Property Fund benefitted from ongoing strength in the Irish property market and produced steady positive returns. The Alternative Assets Fund had a disappointing year with negative returns. Within the Alternative Assets Fund, the allocation to forestry produced strong steady returns, however there were poor returns from the absolute return allocations within this fund which were disinvested in March 2018. The CERS Cash Fund saw a negative return, driven by the ongoing negative yield environment.

The CERS Multi Asset Fund saw a strong return over the 12-month period to end May 2018, benefitting from upside in equity markets, but still being well diversified across asset classes, with the aim of reducing volatility for members.

The asset distribution of the Multi Asset Fund at year end 31st May 2018 was:

ASSET TYPE	MANAGER	WEIGHT
Equity	Irish Life Investment Managers	56%
Bonds	Irish Life Investment Managers	14%
Alternative Assets	Abbey Capital, SLI Infrastructure, IFUT & IIF	12%
Property	IPUT, SSGA, F&C, KBI	11%
Cash	Irish Life Investment Managers & Bank Deposit	7%

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 20.

#### CERS Investment returns for the Scheme year ending 31<sup>st</sup> May 2018

CERS Multi Asset Fund	CERS Bond Fund	CERS Cash Fund	CERS Equity Fund	CERS Property Fund	CERS Alternative Asset Fund
+4.3%	+1.4%	-0.8%	+7.6%	+3.8%	-1.1%

The returns shown above are net of the annual management charge.

Please visit [www.cers.ie/funds](http://www.cers.ie/funds) for up to date fund performance.

## ABBHEY CAPITAL - ACL ALTERNATIVE FUND

Abbey Capital



### How the assets are managed

The ACL Alternative Fund (the “Fund”), a segregated account of ACL Alternative Fund SAC Limited, is a multimanager fund focused on managed futures and foreign exchange. The Fund allocates to managed accounts which are traded by 21 Commodity Trading Advisors (“CTAs”), as at 31 May 2018, across different styles of managed futures trading. The CTAs trade global financial and commodity futures and foreign exchange markets on a directional and spread basis. They trade over 250 different markets and can be long or short in each of these markets. Positions are taken in futures, forwards and in OTC and exchange-traded options.

### Value of the assets

Value of the assets at 31st May 2017	€	0
Net contribution - Subscriptions / (Withdrawals)	€7,500,000	
Appreciation / (Depreciation)	(€ 139,389)	
Value of the assets at 31st May 2018	€7,360,611	

### How the assets are invested

The Fund aims to generate absolute returns with a target portfolio volatility of approximately 12.5% and with a low correlation to equity markets over time. The Fund allocates to broadly two types of CTAs: a core allocation to trendfollowing CTAs and a diversifying allocation to non-trendfollowing CTAs. The Fund allocates between 50% and 60% of risk to trendfollowing strategies and the remainder to diversifying satellite strategies. These non-trendfollowing strategies include global macro, short-term systematic, counter trend and value strategies.

### Overview of Investment Performance

US tax reform proposals and increasing signs of improved global economic conditions aided the uptrend in equities, which the Fund profited from. Long-term Trendfollowing was the main driver of equity gains, however February’s sharp correction in global equity markets saw profits notably trimmed. In February, trading in currencies also proved difficult during this period as the USD became range-bound, while an established uptrend in crude oil prices also briefly reversed during the month. The Fund resumed its positive performance in energy between March and May 2018, however equities and currencies remained difficult.

Over the full period, the Value trading style outperformed due to strong gains in fixed income, predominantly from shorts in US 10-year Treasury contracts, while Global Macro profited largely due to a short position in 3-month Eurodollar futures. Positive performance for Long-term Trendfollowing stemmed from the energy and equity sectors, while FX was additive due to mixed positions across a number of major currency pairs. On the negative side, Shortterm Systematic was lower due to notably difficult performance in February 2018, where losses were heaviest in equities.

Abbey Capital Ltd is regulated by the Central Bank of Ireland

**The gross investment return for the period -1.86%**

## STANDARD LIFE INFRASTRUCTURE FUND

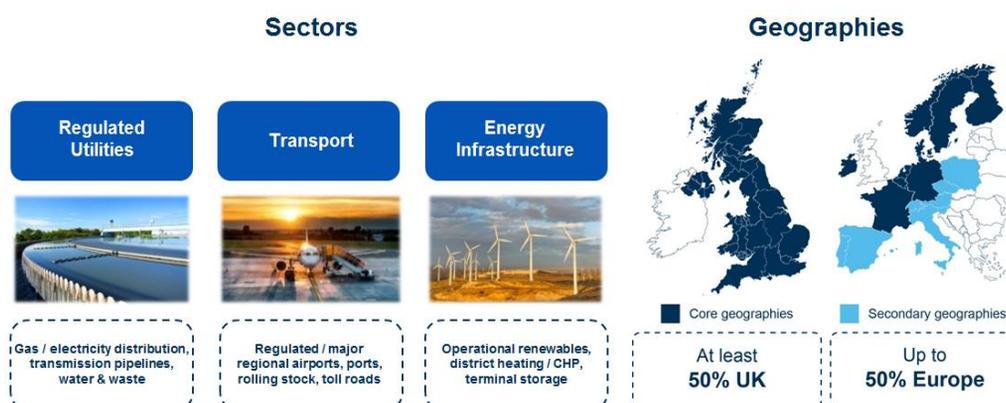
### How the assets are managed

SLCI I's primary objective is to achieve long term, consistent returns, principally through yield generation and capital appreciation. The Fund will focus on building a diversified portfolio of core infrastructure assets in the UK and continental Europe. The Fund's strategy is to invest in six to ten core infrastructure assets in Europe. The Fund will seek to invest in assets generating attractive yields from year one, together with focussing on operating assets with limited construction risk.

### Value of the assets

Value of the assets at 31st May 2017	€	0
Net contribution - Subscriptions / (Withdrawals)	€	3,766,669
Appreciation / (Depreciation)	€	131,191
Value of the assets at 31st May 2018	€	3,897,860

### How the assets are invested



### Overview of Investment performance

Distributions received by SLCI I during the quarter totalled £44.6 million. This figure includes £41 million of return of cost, following the financial close of the debt financing of Noordgastransport (“NGT”) Extension, as well as £3.6 million of income proceeds. The quarterly performance of Auris was strong although slightly behind budget driven by lower gas volumes following higher temperatures in spring and early summer. Despite these headwinds, overall production and earnings were ahead of Q2 2017. Nordic Power production volumes for the quarter were behind budget but ahead of prior year. Earnings in the first half of the year are significantly ahead of budget and prior year driven by higher than forecasted power prices.

Rock Rail Moorgate production continued in accordance with the contract agreed at financial close and Siemens reported no deviations from the programme. All but three of the twenty five units are now complete and continue to undergo commissioning and testing, with the first train planned for full acceptance in September. Rock Rail East Anglia production continued in accordance with the previously communicated revised delivery and acceptance timetable, with a number units now moving into testing and commissioning.

Standard Life Investments Limited is registered in Scotland and are authorised and regulated by the Financial Conduct Authority.

### The gross investment return for the period 0%

# IRISH FORESTRY UNIT TRUST



## How the assets are managed

The objective of IForUT is to provide long-term, sustainable, attractive real returns on forestry investments for its Unit Holders through the management of its existing forests and by continuing to plant new, and acquire established forest properties. The management of the assets on day to day basis is done by a team of professionals with in-depth knowledge of the forest industry and market trends.

## Value of the assets

Value of the assets at 31st May 2017	€4,961,904
Net contribution - Subscriptions / (Withdrawals)	€ 456,000
Appreciation / (Depreciation)	€ 292,396
Value of the assets at 31st May 2018	€5,710,301

## How the assets are invested

The portfolio of the fund comprises commercial forests covering an area of more than 20,000 hectares. These forests cover a range of ages from very young to fully mature crops and have a wide regional spread, primarily in Ireland but with some forests in Scotland and Northern England.

Region	% Weight
Munster	42.4%
Connacht	30.8%
Leinster	18.0%
Scotland	4.0%
Ulster	3.0%
England	1.4%
Ulster (NI)	0.4%

## Overview of Investment Performance

Net Timber revenue for the period was €8.6 million. IForUT has a policy of actively managing timber sales through timber price cycles to improve long term performance. A total of €47.5 million was invested in new forest properties in the period.

Net subscription of all Trust units was €50 million for the period and the total of net assets attributable to unit holders in the Trust increased to €281.4 million from €228.7 million at the end of May 2017. The Trust is actively pursuing new forest assets to invest funds and recently opened up a new queue for investment. Forest operations showed timber sales of 210,000m<sup>3</sup> / €10.3 million in Ireland and the UK. IForUT has also continued to negotiate several new forest acquisitions as well as forest improvement works.

Irish Forestry Unit Trust Forestry Management Ltd is regulated by the Central Bank of Ireland.

## The gross investment return for the period **+5.9%**

## How the assets are managed

The Fund seeks to pursue its investment objective by identifying, acquiring and managing a portfolio of Infrastructure Assets which are wholly or substantially located or based in Ireland. Infrastructure Assets may be acquired either on the primary or secondary market. Each prospective investment is assessed on a stand-alone basis, and as part of the investment process, AMP Capital as the Infrastructure Investment Manager performs i) a bottom-up approach to understand each potential investment's specific risks and risk mitigation profile in addition to financial, tax and operational issues; and ii) a top-down analysis of each investment to identify competitive, macro-economic, political and other trends that are expected to influence the performance of the investment under the various base, downside and upside scenarios. Once Infrastructure Assets have been acquired, the Infrastructure Investment Manager monitors and manages all strategic, financial (including gearing) and operational aspects of the Fund's Infrastructure Assets with a view to long term value creation.

## Value of the assets

Value of the assets at 31st May 2017	€ 5,620,411
Net contribution - Subscriptions / (Withdrawals)	€ 5,000,000
Appreciation / (Depreciation)	€ 567,513
Value of the assets at 31st May 2018	€11,187,924

## Overview of Investment Performance

The start of 2017 was an active period for the Fund, with the acquisition of two Primary Care Centres (PCC), through Valley Healthcare. This activity continued into the second quarter as the Fund pursued a transaction to purchase a majority stake in eNet, an Irish fibre and wireless operator providing wholesale and retail, enterprise focused, high speed connectivity services. The Group also owns Airspeed, a wireless retail/wholesale business. There are significant growth opportunities in the business.

Towercom continued its strong performance through the period and is ahead of budget in terms of revenue and EBITDA. The business was refinanced in August 2017 to market comparable levels, resulting in a special distribution of €39.2m to the Fund. The result of this new financing structure, combined with long-term contracted revenues, puts the business in a strong position to deliver consistent yield to the Fund for many years to come.

The Cyclone wind portfolio encountered a difficult period during the dry, warm summer as wind dropped significantly across the country. For its financial year (April 17 to March 18), the business has performed in line with budget in a challenging year with an extended grid outage for one of the wind farms leading to lower availability and lower production.

The Valley Healthcare portfolio increased in size during Q4 as a third PCC was purchased in December in Tralee, Co. Kerry adding to the two operational PCCs in Bray and Ballina. Valley acquired its fourth PCC asset when completing the acquisition of Mitchelstown PCC in March 2018.

In December, the Convention Centre Dublin (CCD) won the award for 'World's Leading Meetings & Conference Centre' at the 24th annual World Travel Awards beating off tough international competition from fourteen venues across the world. This award helps the CCD in growing its profile internationally and deliver a pipeline for international conventions.

The Irish Infrastructure Fund is regulated by the Central Bank of Ireland as a Qualifying Investor Alternative Investment Fund.

**The gross investment return for the period +10.2%**

# 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.

## Value of the assets

Value of the assets at 31st May 2017	€203,716,336
Net contribution - Subscriptions / (Withdrawals)	(€ 5,327,785)
Appreciation / (Depreciation)	€ 10,281,424
Value of the assets at 31st May 2018	€208,669,975

## How the assets are invested

### CERS EQUITY FUND

The CERS Equity Fund 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.

**The gross investment return for the CERS Equity Fund for the period +8.4%**

### CERS CASH FUND

The CERS 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.

**The gross investment return for the CERS Cash Fund for the period -0.4%**

### CERS BOND FUND

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

**The gross investment return for the CERS Bond Fund for the period +2.3%**

## IRISH LIFE INVESTMENT MANAGERS

### CERS MULTI ASSET (MA) BOND FUND

The CERS MA Bond Fund is a passively managed unitised fixed interest fund. Its objective is to perform in line with its benchmark of 30% ML>10 Year GDP Bonds, 40% ML 1-5 Year EMU Government Bonds and 30% ML EMU Large Cap Non-Financial Corporate Bonds. The fund is re-balanced on a quarterly basis.

**The gross investment return for the CERS Multi Asset (MA) Bond Fund for the period +0.6%**

### Overview of investment performance

Equities have generated positive returns over the last twelve months. Positive support has come from an improving economic and earnings backdrop and attractive valuations relative to other asset classes. Further support was provided at the start of the year by the signing of the long awaited US tax bill where the reduction of the corporate tax rate to 21 percent took effect from the 1st of January and combined with other elements, underpinned US growth and corporate earnings.

Eurozone bonds have generated positive returns over the last twelve months. German yields rose over the last twelve months on evidence of a pick-up in inflation and concerns over a possible reduction in the level of policy accommodation being provided by global central banks. Peripheral spreads however have tightened due to improvements in the economic and political environments.

Irish Life Investment Managers Limited is regulated by the Central Bank of Ireland.

## IRISH LIFE INVESTMENT MANAGERS

### PENSIONER FUND

The CERS Pensioner Fund is invested in a bespoke mix of 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 CERS 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. The fund is re-balanced on instruction

### Value of the assets

Value of the assets at 31st May 2017	€242,070,188
Net contribution - Subscriptions / (Withdrawals)	(€ 9,900,000)
Appreciation / (Depreciation)	€ 5,708,966
Value of the assets at 31st May 2018	€237,879,154

### How the assets are invested

Country	% Weight
France	30.42%
Italy	16.51%
Germany	15.77%
Spain	13.49%
Ireland	12.50%
Belgium	8.15%
Austria	1.66%
Netherlands	1.36%
Cash	0.14%
<b>Total</b>	<b>100.00%</b>

### Overview of Investment performance

Eurozone bonds have generated positive returns over the last twelve months. German yields rose over the last twelve months on evidence of a pick-up in inflation and concerns over a possible reduction in the level of policy accommodation being provided by global central banks. Peripheral spreads however have tightened due to improvements in the economic and political environments. The ML EMU >5 yrs bond index returned 1.22% for the year ending 31st May 2018.

Irish Life Investment Managers Limited is regulated by the Central Bank of Ireland.

**The gross investment return for the Pensioner Fund for the period +2.3%**

## PROPERTY COMMENTARY YEAR ENDED 31ST MAY 2018

This was another good year for Irish Property as demand remains strong, driven by the supportive economic conditions, particularly in the Dublin region. There was particular interest from institutional investors in Irish property over the period which supported the market. Supply is increasing, however limited financing and planning has slowed down the rate of increase. Overseas investors continue to have an appetite for Irish property, making up a significant portion of the value of deals. With effect from 11 October 2017 stamp duty on Irish Commercial Property rose from 2% to 6%. The impact of the increase resulted in a reduction in capital values for Irish Commercial Property, and impacted the performance of property funds negatively.

Focusing on the office market, there was an increase in lettings, with a high proportion of these relating to ongoing growth of technology and financial services firms. Despite expectations of an increase in demand as a result of Brexit preparations, the actual pickup in demand seems to have been more limited than expected. The strong office market resulted in rents continuing to rise over the period, with low vacancy rates continuing to be a feature.

Considering the retail market, the online retail channel continues to have an impact. High quality locations continue to perform well, with ongoing challenge for sub-prime retail properties. This is a continuation of a dynamic seen in the Irish market over recent years. However, while online retail has negatively impacted the retail market, it continues to support the logistics market. Rents continued to rise, with limited new supply added. The residential market continued to dominate headlines across Ireland, with the ongoing economic growth driving demand, while limited additional supply is added.

The CERS Property Fund remains well diversified over a number of quality managers and continues to be reviewed on an ongoing basis.

## PROPERTY COMMENTARY Continued



### Friends First Property Fund

#### Value of the assets

Value of the assets at 31st May 2017	€6,212,465
Net contribution - Subscriptions / (Withdrawals)	€ 0
Appreciation / (Depreciation)	€ 361,543
Value of the assets at 31st May 2018	€6,574,008

#### How the assets are invested

Commercial property in the Republic of Ireland.

Friends First Life Assurance Company DAC is regulated by the Central Bank of Ireland.



### Irish Property Unit Trust

#### Value of the assets

Value of the assets at 31st May 2017	€12,166,412
Net contribution - Subscriptions / (Withdrawals)	(€ 490,022)
Appreciation / (Depreciation)	€ 951,526
Value of the assets at 31st May 2018	€12,627,916

#### How the assets are invested

Commercial property in the Republic of Ireland.

IPUT plc is authorised and regulated by the Central Bank of Ireland.

## PROPERTY COMMENTARY Continued



The European Property Fund

### Value of the assets

Value of the assets at 31st May 2017	€1,606,860
Net contribution - Subscriptions / (Withdrawals)	(€ 651,212)
Appreciation / (Depreciation)	€ 41,849
Value of the assets at 31st May 2018	€ 997,496

### How the assets are invested

Commercial property in the Eurozone.

KBI Global Investors Ltd is regulated by the Central Bank of Ireland.



SSgA Property Fund

### Value of the assets

Value of the assets at 31st May 2017	€7,828,027
Net contribution - Subscriptions / (Withdrawals)	€ 0
Appreciation / (Depreciation)	€ 448,827
Value of the assets at 31st May 2018	€8,276,854

### How the assets are invested

Commercial property in the Republic of Ireland and United Kingdom.

State Street Global Advisors Ireland Limited is regulated by the Central Bank of Ireland.

**The investment return for the CERS Property Fund for the period +3.8%**

# 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 both 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

### 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 linked to Irish price inflation the Pensioner Fund invests in stocks 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 all issued by 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 (as closely as possible) 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 or as a result of a full or partial default of the bonds held. 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.
- (d) The Investment Manager is given a mandate setting out the credit rating required for any bonds held.

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 four 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 ASSET FUND

The Alternative Assets Fund is diversified across a wide range of assets, strategies and managers. The fund may contain investments including, but not limited to, equities, bonds, forestry, property, infrastructure, absolute return and derivatives including managed futures and asset backed securities. Absolute return funds typically aim to deliver modest absolute returns relative to a cash benchmark at relatively low risk. The objective of the Alternative Assets Fund is to reduce volatility through diversification. The underlying managers may use financial instruments (e.g. derivatives) in their investment strategies, employing a wide range of different strategies some of which may be relatively high risk.

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 four of the five available CERS Funds – Equity Fund, Property Fund, Alternative Assets Fund and the Cash Fund as well as two bond funds which are specific to the CERS Multi Asset Fund. The allocation to each fund will vary from the central allocation within an agreed range from time to time to take account of market conditions as determined by the Trustees. The central allocation and agreed ranges are as follows:

Sub Fund	Central Allocation	Agreed Range
Bonds	7.5%	5% - 10%
Inflation Linked Bonds	7.5%	5% - 10%
Equities	45%	37.5% - 52.5%
Alternative Assets	27%	22% - 32%
Property	11%	8% - 14%
Cash	2%	0% - 4%

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 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 MULTI ASSET BOND FUND

The CERS Multi Asset Bond Fund is a passively managed fixed interest fund. Its objective is to perform in line with its benchmark of 30% cash, 40% 1-5 year Euro Sovereign Bonds and 30% Euro Corporate Bonds. The fund is rebalanced on quarterly basis.

## CERS INFLATION LINKED MULTI ASSET BOND FUND

The Inflation Linked Multi Asset Bond Fund comprises inflation linked bonds with the following target ranges.

Fund	Central Allocation	Agreed Range
France	24%	14% -34%
Italy	20%	0% - 30%
Spain	20%	10% - 30%
Germany	36%	26% - 46%
Euro Cash	7.5%	5% - 10%

## CERS - STRUCTURE OF LIFESTYLING ARRANGEMENT

The CERS Trustees introduced 2 lifestyle options based on gradual de-risking of investment strategy over the last 7 years prior to a member's anticipated retirement age. The standard lifestyle (default option) and an ARF lifestyle strategy are available for Defined Contribution members who do not wish to or feel that they are unable to make their own fund choice.

A key element of both lifestyle options which are available to members, is the gradual and automatic de-risking of lifestyle members' investment strategy to target a more conservative mix of assets when a member reaches their Normal Retirement Age (NRA). The target investment allocations at NRA for each of the lifestyle options has been set following consideration of the likely mix of benefits which will be taken by members at retirement.

### STANDARD LIFESTYLE STRATEGY

The Standard Lifestyle Option may be suitable for members who intend to purchase a pension from the CERS scheme at their normal retirement age (NRA). The strategy is based on gradual de-risking of investment strategy over the last 7 years prior to a member's NRA. This strategy is automatically included as part of the Multi Asset Fund (default fund). Members will invest 100% in the Multi Asset Fund until 7 years prior to their NRA with 10% being automatically transferred out of the Multi Asset Fund (to a combination of the Cash Fund 7.5% and Bond Fund 2.5%) in each of the last 7 years. Ongoing future contributions would also be invested in accordance with this Standard Lifestyle matrix with effect from the switch date. The member's fund will rebalance at yearly intervals thereafter.

The Scheme will have 4 Lifestyle dates each year, 1st January, 1st April, 1st July and 1st October. Once a member is within 7 years of their NRA, the first switch and contribution redirection will occur on the quarterly switch date immediately after the member's birthday.

### THE STANDARD LIFESTYLE TABLE IS AS FOLLOWS:

Period Remaining to Normal Retirement Age	Allocation of Existing Assets and Future Contributions		
	Multi Asset Fund	Cash Fund	Bond Fund
More than 7 Years	100%	Nil	Nil
6-7 Years	90%	7.5%	2.5%
5-6 Years	80%	15.0%	5.0%
4-5 Years	70%	22.5%	7.5%
3-4 Years	60%	30.0%	10.0%
2-3 Years	50%	37.5%	12.5%
1-2 Years	40%	45.0%	15.0%
0-1 Year	30%	52.5%	17.5%

### APPROVED RETIREMENT FUND (ARF) LIFESTYLE STRATEGY

The Approved Retirement Fund (ARF) Lifestyle Option may be suitable for members who intend to transfer their retirement accounts to an ARF at retirement instead of purchasing a pension from the CERS scheme. This strategy is based on gradual de-risking of investment strategy over the last 7 years prior to a member's normal retirement age (NRA). Members who select the ARF Lifestyle Option will invest 100% in the Multi Asset Fund until 7 years prior to their NRA with 5.5% being automatically transferred out of the Multi Asset Fund to the Cash Fund in each of the last 7 years. Ongoing future contributions would also be invested in accordance the ARF Lifestyle matrix with effect from the switch date. The member's fund will rebalance at yearly intervals thereafter.

The Scheme will have 4 Lifestyle dates each year, 1st January, 1st April, 1st July and 1st October. Once a member is within 7 years of their NRA, the first switch and contribution redirection will occur on the quarterly switch date immediately after the member's birthday.

**THE ARF LIFESTYLE TABLE IS AS FOLLOWS:**

Period Remaining to Normal Retirement Age	Allocation of Existing Assets and Future Contributions	
	Multi Asset Fund	Cash Fund
More than 7 Years	100%	Nil
6-7 Years	94.5%	5.5%
5-6 Years	89.0%	11.0%
4-5 Years	83.5%	16.5%
3-4 Years	78.0%	22.0%
2-3 Years	72.5%	27.5%
1-2 Years	67.0%	33.0%
0-1 Year	61.5%	38.5%

**SUMMARY - VOLATILITY AND EXPECTED RETURNS**

Fund	Volatility	Long term expected returns		
Equity Fund	6	6	7	Very High
Property Fund	6	6	6	High
Multi Asset Fund	5	5	5	Medium to High
Alternative Asset Fund	5	5	4	Medium
Bond Fund	4	4	3	Low to Medium
Cash Fund	1	1	2	Low
			1	Very 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 and two Lifestyle options.
- (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 members a Bond Fund and two Lifestyle options.
- (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 offering the two Lifestyle options, one of which is 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 Asset 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 2018

### Statement of Trustee Responsibilities

The financial statements 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 financial statements and the report of the auditor. The financial statements are required to show a true and fair view, in accordance with Financial Reporting Standard 102 - the Financial Reporting Standard applicable in the UK and the Republic of 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 financial statements have been prepared in accordance with Statement of Recommended Practice - Financial Reports of Pension Schemes (Revised November 2014), ("the SORP"), subject to any material departures disclosed and explained in the financial statements.

Accordingly, the Trustee must ensure that they have supervised the preparation of the Scheme accounts and ensure that:

- Suitable accounting policies are selected and then applied consistently;
- Reasonable and prudent judgements and estimates are made; and
- 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 for the Scheme containing the information specified in Regulation 7 of the Occupational Pension Schemes (Disclosure of Information) Regulations 2006 (as amended), including financial statements 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

**Leo Crehan**  
**Director of Trustee company**

**Gerry Morrissey**  
**Director of Trustee company**

Approved by the Trustee on 21st November 2018.

# Actuarial Statement 2018

**WillisTowersWatson** 

## **Construction Executive Retirement Savings (PB3538)**

### **Actuarial Statement for year ended 31 May 2018**

On the instruction of the Trustee, we carried out an actuarial valuation of Construction Executive Retirement Savings (the “scheme”) as at 31<sup>st</sup> May 2018.

#### **Ongoing funding assessment**

The results of the valuation show that based on the ongoing assumptions used for the purposes of the valuation, the assets of the scheme were sufficient to meet the liability values of the following at 31 May 2018:

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 31 May 2018 which are not covered by the pension arrangements for participating employers; and
4. Individual defined contribution accounts for certain deferred members which are no longer a liability of their former employers’ pension arrangements.
5. Assets allocated to the pension arrangements for participating employers.

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.

#### **Funding Standard assessment**

The most recent Actuarial Funding Certificate prepared in respect of the scheme under Section 42 of the Pensions Act 1990 (‘the Act’) has an effective date of 31 May 2017 and shows that at that date the scheme satisfied the funding standard provided for in section 44 of the Act. The most recent Funding Standard Reserve Certificate prepared under Section 42 of the Act was also at 31 May 2017 and shows that the scheme satisfied the funding standard reserve at that date.

I am reasonably satisfied that if I had prepared an Actuarial Funding Certificate under Section 42 of the Act and a Funding Standard Reserve Certificate under Section 42 (2A) of the Act with an effective date of 31 May 2018, I would have certified that the Scheme would have been able to satisfy the funding standard provided for in Section 44 of the Act and the Funding Standard Reserve provided for in Section 44 (2) of the Act.

Separate certificates are prepared for the defined benefit pension arrangements of participating employers. In making these statements reference has been made to guidance issued by the Society of Actuaries in Ireland under Actuarial Standard of Practice PEN-3.

No account has been taken of any events that have taken place after 31 May 2018. It is intended that the next valuation of the scheme will be carried out as at 31 May 2019.



**James O’Connor FSAI    12 December 2018**

**Willis Towers Watson**

## INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE

### Opinion

We have audited the financial statements of the Construction Executive Retirement Savings (the "Scheme"), which comprise the Fund Account and the Statement of Net Assets for the financial year ended 31 May 2018, and the related notes to the financial statements, including the summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is Irish pension law and accounting standards issued by the Financial Reporting Council including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and with the guidelines set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes", ("SORP") (revised November 2014) (Generally Accepted Accounting Practice in Ireland).

In our opinion, the Scheme's financial statements give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland of the financial transactions of the Scheme during the year ended 31 May 2018 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.

### Opinions and 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.

We do not report if the contributions payable to the Scheme during the year ended 31 May 2018 have been received by the Trustee within thirty days of the end of the Scheme year and whether the contributions payable to the Scheme for the year have been paid in accordance with the Scheme rules and with the recommendations of the actuary if applicable.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the 'responsibilities of the auditor for the audit of the financial statements' section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, namely the Irish Auditing and Accounting Supervisory Authority (IAASA) Ethical Standard concerning the integrity, objectivity and independence of the auditor, and the ethical pronouncements established by Chartered Accountants Ireland, applied as determined to be appropriate in the circumstances for the entity. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of matter

In forming our opinion, which is not modified, we have considered the adequacy of the disclosures made in note 2.1 on page 36 to the financial statements in relation to contributions recognised on a cash receipts basis. The policy has been adopted due to the volume and variety of sub schemes in this Master Trust with different rules. It is not possible to reliably measure the contributions receivable on an accruals basis. Although the report is not modified because the SORP does provide for this treatment in very rare circumstances, International Auditing Standards require the auditors to draw this fact to the attention of the readers.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (Ireland) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Other information

Other information comprises information included in the annual report, other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies in the financial statements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Responsibilities of management and those charged with governance for the financial statements

As explained more fully in the Trustees' responsibilities statement, management is responsible for the preparation of the financial statements which give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland, including FRS 102, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Scheme's financial reporting process.

## Responsibilities of the auditor for the audit of the financial statements

The auditor's objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes their opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions that users take on the basis of these financial statements.

As part of an audit in accordance with ISAs (Ireland), the auditor will exercise professional judgment and maintain professional scepticism throughout the audit. The auditor will also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If they conclude that a material uncertainty exists, they are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify their opinion. Their conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a matter that achieves a true and fair view.

We do not report if the contributions payable to the Scheme during the year ended 31 May 2018 have been received by the Trustee within thirty days of the end of the Scheme year and whether in our opinion the contributions payable to the Scheme for the year have been paid in accordance with the Scheme rules and with the recommendations of the actuary if applicable.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that may be identified during the audit.

### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the Scheme's Trustees, as a body, in accordance with Section 56 of the Pensions Act 1990 and Regulations made there under. Our audit work has been undertaken so that we might state to the Scheme's Trustees those matters we are required to state to them in an auditor's 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 Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Aidan Connaughton  
For and on behalf of

GRANT THORNTON

Chartered Accountants & Registered Auditors  
13-18 City Quay, Dublin 2

21st November 2018

## 07

## Accounts for the Year Ended 31st May 2018

## Fund Account for the year ended 31st May 2018

Contributions and benefits		2018	2017
		€	€
	<b>Note</b>		
Employer contributions	5	14,274,659	14,046,086
Employee contributions	5	5,357,280	4,048,383
Transfers from other schemes	6	509,532	735,462
Other income	7	1,610,444	-
		<u>21,751,915</u>	<u>18,829,931</u>
Benefits	8	(20,075,137)	(15,322,669)
Payments to and on account of leavers	9	(15,468,700)	(5,566,067)
Other costs	10	(1,497,783)	(1,269,380)
Administrative expenses	11	(1,736,644)	(1,726,494)
		<u>(38,778,264)</u>	<u>(23,884,610)</u>
Net withdrawals from dealings with members		<u>(17,026,349)</u>	<u>(5,054,679)</u>
<b>Returns on investments</b>			
Investment income	12	1,436,294	1,990,115
Change in market value of investments	13	16,828,559	14,629,002
Investment management fees	14	(211,272)	(201,897)
		<u>18,053,581</u>	<u>16,417,220</u>
<b>Net returns on investments</b>			
Net increase in the fund during the year		1,027,232	11,362,541
Net Assets of the Scheme at 1 June		515,683,857	504,321,316
Net Assets of the Scheme at 31 May		<u><u>516,711,089</u></u>	<u><u>515,683,857</u></u>

These financial statements were approved by the Trustee on the 21st November 2018 and are signed on their behalf by:

**Leo Crehan**  
Director of Trustee company

Date: 21st November 2018

**Gerry Morrissey**  
Director of Trustee company

Date: 21st November 2018

## Statement of Net Assets as at 31st May 2018

	Note	2018 €	2017 €
<b>Investment assets</b>			
Pooled investment vehicles	13	503,784,685	505,210,014
Private equity	13	3,897,860	-
Cash on deposit	13	<u>2,130,771</u>	<u>2,127,565</u>
<b>Total investments</b>		<b>509,813,316</b>	<b>507,337,579</b>
Current assets	18	8,430,755	8,861,458
Current liabilities	19	<u>(1,532,982)</u>	<u>(515,180)</u>
<b>Net assets of the Scheme at 31 May</b>		<b><u>516,711,089</u></b>	<b><u>515,683,857</u></b>

The notes on page 36 to 45 form an integral part of these financial statements.

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. 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 takes into account such obligations, is dealt with in the Trustee's Report and in the actuarial certificates included in the annual report and these financial statements should be read in conjunction with this report.

These financial statements were approved by the Trustee on the 21st November 2018 and are signed on its behalf by:

**Leo Crehan**  
Director of Trustee company

Date: 21st November 2018

**Gerry Morrissey**  
Director of Trustee company

Date: 21st November 2018

## Notes to the Financial Statements

### 1. Basis of preparation

The Scheme was established by a Trust Deed dated 1 May 1971. The Scheme is now governed by a Definitive Trust Deed and Rules dated 12 March 2002 (as amended). The Scheme has been approved by the Revenue Commissioners. The Scheme pays pensions to retired members from the resources of the Scheme. For each member on a defined contribution basis, individual member accounts are maintained within the Scheme.

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 Occupational Pension Schemes (Disclosure of Information) Regulations 2006 (as amended), Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and in line with the guidelines set out in the Statement of Recommended Practice (SORP) (Revised November 2014), published by the Pensions Research Accountants Group.

### 2. Summary of Significant Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Scheme's financial statements:

#### (2.1) 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 November 2014) and FRS 12 'Provisions, Contingent Liabilities and Contingent Assets'. This policy is adopted because of the unique nature of this Master Trust. Due to the volume and variety of sub schemes in this Master Trust with different rules, it is not possible to reliably measure the contributions receivable on an accruals basis. 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. The cash receipts basis has been adopted in view of the fact that the overall effect of this treatment year on year is not material in terms of the fund account and net asset statement.

#### (2.2) 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.

#### (2.3) Transfer to and from other schemes

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

#### (2.4) Valuation of investments

Unitised pooled investments have been valued at the latest available bid or single price provided by the pooled investment managers. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV), determined in accordance with fair value principles, provided by the pooled investment managers.

Unquoted securities are included at fair value estimated by the Trustee based on advice from the investment manager.

## Accounting Policies (continued)

### (2.5) 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.

### (2.6) 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.

### (2.7) 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. Differences arising on translation of investment balance are accounted for in the Net Returns on investments and reported within 'Change in Market Value of investments' during the year. Refer to Note 13.

## 3. Judgement in applying accounting policies and key sources of estimation uncertainty

### (3.1) Fair value determination

The extent to which the fair value determination of investments requires judgement based on a hierarchy of accounting literature. Refer to note 16.

### (3.2) Fair value measurement

Management uses valuation techniques to determine the fair value of investments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

## 4. Taxation

The Scheme has been approved as an Exempt Approved Scheme for the purposes of Section 774 of the Taxes Consolidation Act 1997 and thus the Scheme's income and gains are generally exempt from taxation. In addition, tax relief is given on employer and member contributions to the Scheme and certain lump sum payments to members can be paid free of tax.

**5. CONTRIBUTIONS**

	<b>2018</b>	<b>2017</b>
	<b>€</b>	<b>€</b>
<b>Employer contributions</b>		
Normal	8,233,727	7,622,701
Risk	1,610,867	867,581
Special	4,430,065	5,555,804
	<u>14,274,659</u>	<u>14,046,086</u>
<b>Employee contributions</b>		
Normal	3,643,734	2,863,790
Additional voluntary contributions	1,713,546	1,184,593
	<u>5,357,280</u>	<u>4,048,383</u>

**6. TRANSFERS FROM OTHER SCHEMES**

	<b>€</b>	<b>€</b>
Individual transfers in from other schemes	<u>509,532</u>	<u>735,462</u>

**7. OTHER INCOME**

	<b>€</b>	<b>€</b>
Claims on term insurance policies	<u>1,610,444</u>	<u>-</u>

**8. BENEFITS**

	<b>€</b>	<b>€</b>
Pensions	12,734,096	12,545,451
Commutation of lump sum retirement benefits	4,778,775	2,431,004
Tax on excess lump sum retirement benefits	182,727	2,412
Lump sum death benefits	2,379,539	343,802
	<u>20,075,137</u>	<u>15,322,669</u>

**9. PAYMENTS TO AND ON ACCOUNT OF LEAVERS**

	<b>€</b>	<b>€</b>
Transfer to approved retirement funds	9,103,386	2,461,714
Refunds of contributions in respect of non-vested leavers	10,306	27,238
Transfers to other arrangements	6,355,008	3,077,115
	<u>15,468,700</u>	<u>5,566,067</u>

**10. OTHER COSTS**

	<b>2018</b>	<b>2017</b>
	<b>€</b>	<b>€</b>
Premiums on term insurance policies	1,497,783	1,269,380

**11. ADMINISTRATIVE EXPENSES**

	<b>€</b>	<b>€</b>
Administration charges	1,529,333	1,524,500
Trustee fees and expenses	39,117	36,527
Pension authority fees	4,562	4,188
Bank charges	2,425	2,533
Legal and consultancy fees	125,537	123,076
Audit fees	35,670	35,670
	<u>1,736,644</u>	<u>1,726,494</u>

**12. INVESTMENT INCOME**

	<b>€</b>	<b>€</b>
Deposit interest	5,141	6,762
Quoted and other securities	1,431,153	1,983,353
	<u>1,436,294</u>	<u>1,990,115</u>

**13. RECONCILIATION OF INVESTMENTS**

	<b>Value at 01/06/2017</b>	<b>Purchases at cost</b>	<b>Sales proceeds</b>	<b>Change in market value</b>	<b>Value at 31/05/2018</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
Pooled investment vehicles	505,210,014	42,505,019	(60,627,716)	16,697,368	503,784,685
Private equity	-	3,766,669	-	131,191	3,897,860
	<u>505,210,014</u>	<u>46,271,688</u>	<u>(60,627,716)</u>	<u>16,828,559</u>	<u>507,682,545</u>
Cash deposit	<u>2,127,565</u>				<u>2,130,771</u>
	<u>507,337,579</u>				<u>509,813,316</u>

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.

**14. INVESTMENT MANAGEMENT FEES**

	<b>2018</b>	<b>2017</b>
	<b>€</b>	<b>€</b>
Investment management fees	<u>211,272</u>	<u>201,897</u>

**15. POOLED INVESTMENT VEHICLES**

The Scheme investments in pooled investment vehicles comprised:

**At 31 May 2018**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
Equity	7,360,614	130,170,343	-	137,530,957
Bonds	-	274,948,730	-	274,948,730
Cash	-	45,930,056	-	45,930,056
Property	-	-	39,664,198	39,664,198
Others	-	-	5,710,744	5,710,744
	<u>7,360,614</u>	<u>451,049,129</u>	<u>45,374,942</u>	<u>503,784,685</u>

**At 31 May 2017**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
Equity	-	120,857,139	15,152	120,872,291
Bonds	-	279,310,559	-	279,310,559
Cash	-	45,618,826	-	45,618,826
Property	-	-	33,434,176	33,434,176
Others	-	21,012,258	4,961,904	25,974,162
	<u>-</u>	<u>466,798,782</u>	<u>38,411,232</u>	<u>505,210,014</u>

## 16. FAIR VALUE DETERMINATION

In line with the guidelines set out in the SORP and FRS 102, all financial instruments held at fair value are required to disclose, for each class of assets, an analysis of the level of fair value hierarchy. A fair value measurement is categorised in its entirety on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The fair value of financial instruments has been estimated using the following fair value hierarchy:

- Level 1 The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date. This level comprises of exchange traded pooled investment vehicles and cash. Also included are bonds held in the segregated fund.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly. This level comprises of unlisted, open-ended pooled investment vehicles priced on a daily and weekly basis held in equity, bond, cash and alternative funds.
- Level 3 Inputs using other relevant data for the asset or liability. Included in this level are open-ended pooled investment vehicles priced on a monthly and quarterly basis and all closed-ended pooled investment vehicles. Level 3 comprises of pooled investment vehicles held in property and equity funds.

All valuations agree to the latest third party investment manager reports available at 31 May 2018. The bid prices are quoted by the investment managers in all of the categories.

The following shows the fair value hierarchy of the Scheme's investment assets and liabilities measured at fair value in the statement of net assets:

	At 31 May 2018			
	Level 1	Level 2	Level 3	Total
	€	€	€	€
Pooled investment vehicles	7,360,614	451,049,129	45,374,942	503,784,685
Private equity	-	-	3,897,860	3,897,860
Cash on deposit	2,130,771	-	-	2,130,771
	9,491,385	451,049,129	49,272,802	509,813,316

	At 31 May 2017			
	Level 1	Level 2	Level 3	Total
	€	€	€	€
Pooled investment vehicles	-	466,798,782	38,411,232	505,210,014
Cash on deposit	2,127,565	-	-	2,127,565
	2,127,565	466,798,782	38,411,232	507,337,579

## 17. INVESTMENT RISK DISCLOSURES

### (a) Types of risk relating to investments:

The following sources of risk were considered when setting the investment strategy for the Scheme:-

**Credit risk:** this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

**Market risk:** this comprises currency risk, interest rate risk and other price risk.

- **Currency risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other price risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustees determine their investment strategy after taking advice from a professional investment adviser.

The Scheme has exposure to these risks because of the investments it makes to implement its investment strategy set out below. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and are monitored by the Trustee through regular reviews of the investment portfolios.

The following table sets out the extent to which the various classes of investment assets are affected by financial risks:

Asset class	Credit risk	Market Risk		
		Currency	Interest rate	Other price
Equities	Low	Medium	Medium	High
Bonds	Low	Low	High	Low
Property	Medium	Low	Medium	High
Forestry	Medium	Low	Low	Medium
Absolute Return Funds	Medium	Medium	Medium	Medium
Currency Funds	Medium	High	Low	High
Cash	Low	Low	Low	Low

Further information on the Trustees' approach to risk management, credit and market risk is set out on the next page.

## 17. INVESTMENT RISK DISCLOSURES (CONTINUED)

### (b) Investment Strategy

The investment objective of the Trustee is to maintain a portfolio of suitable assets of appropriate liquidity which will generate superior long term investment returns within acceptable limits of risk. The Trustee sets out to deliver to members a cost-effective investment solution that is appropriate to member requirements, sensitive to evolving conditions in investment markets and which is truly diversified and balanced.

The Trustee has adopted a prudent investment strategy with respect to pensions in payment. This seeks to match expected future liabilities with appropriate bonds. The Trustee arranges for the Actuary to complete an annual actuarial assessment of the sufficiency of the Scheme's assets to meet the pensioner liabilities.

For active members in defined contribution schemes the Trustee has prepared a range of investment solutions which permit members to construct investment strategies appropriate to their individual risk requirements. The CERS Multi Asset Fund is made available by the Trustee as a default strategy.

To reduce the risk of significant losses in expected benefit outcomes for active members nearing retirement, the Scheme is structured to systematically reduce investment risk as a member moves closer to the normal retirement age.

The Statement of Investment Policy Principles (SIPP) outlines the investment objectives and strategy for Construction Executive Retirement Savings. In setting asset allocation strategy the Trustee has considered:

- the Scheme's liability profile and funding position,
- a full range of asset classes,
- the risks and rewards of a range of alternative asset allocation strategies,
- the suitability of each asset class,
- the need for appropriate diversification.

The Trustee monitors the underlying risks through monthly investment reviews with their Investment Advisors.

### Credit Risks

Construction Executive Retirement Savings is subject to direct credit risk in relation to its holdings of sovereign European government bonds, European Corporate bonds, its cash balances and its holdings in pooled investment vehicles. It is indirectly exposed to credit risks arising on some of the financial instruments held by the pooled investment vehicles.

Direct credit risk arising from exposure to sovereign European government bonds is mitigated by prudent diversification and by active monitoring and management of the bond portfolio. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor any changes to the operating environment of the pooled manager. Pooled investment arrangements used by the Scheme include unit linked insurance contracts, unit trusts and qualifying investor alternative investment funds.

Indirect credit risk arises in relation to underlying investments held in the bond pooled investment vehicle and in a number of the alternative investment pooled vehicles. This risk is mitigated by prudent diversification.

**17. INVESTMENT RISK DISCLOSURES (CONTINUED)****Market Risks****(i) Currency Risk**

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets via pooled investment vehicles (indirect exposure). The Trustee monitor currency exposure and use currency hedging within the equities allocation to manage overall currency exposure.

**(ii) Interest Rate Risk**

The Scheme's assets are subject to interest rate risk though it's direct holdings of European sovereign bonds, its cash holdings (direct) and its investment in pooled vehicles which invest in fixed income instruments.

Under the Scheme's investment strategy with regard to pensions in payment, if interest rates fall, the value of the fixed income investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the fixed income investments will fall in value as will the actuarial liabilities because of an increase in the discount rate.

**(iii) Other Price Risk**

Other price risk arises principally in relation to the Scheme's indirect (through pooled vehicles) exposure to growth assets including equities, property and alternative investment funds. The Scheme manages this exposure to overall price movements by constructing a portfolio of investments which is diversified across asset types, geographical regions and investment managers. The Trustee has embedded diversification into the investment process by setting ranges for the main asset class categories. These ranges also provide a framework for making informed decisions to vary the allocation within those bands.

**18. CURRENT ASSETS**

	<b>2018</b>	<b>2017</b>
	<b>€</b>	<b>€</b>
Prepayments	135,713	133,508
Cash at bank	7,638,880	8,727,085
Receivable from life company	654,252	-
Accrued income	1,910	865
	<u>8,430,755</u>	<u>8,861,458</u>

**19. CURRENT LIABILITIES**

	<b>2018</b>	<b>2017</b>
	<b>€</b>	<b>€</b>
Investment managers fees	35,200	79,678
Audit fees	35,670	35,670
PAYE payable	222,624	231,176
Death benefits payable	1,091,924	-
Legal fees	10,826	14,245
Sundry accrual	136,738	154,411
	<u>1,532,982</u>	<u>515,180</u>

## 20. RELATED PARTY TRANSACTIONS

- a. **The Trustee:** The Trustee of the Scheme is outlined on page 6 of the report. Trustee costs incurred are disclosed in note 11 to the financial statements.
- b. **The 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 11 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 2.6. Fees incurred are disclosed in note 14.

## 21. SUBSEQUENT EVENTS

There were no events post year end that would require amendments to or disclosure in this report.

## 22. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Trustee on 21st November 2018.

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This Trustee Report was approved by the Board of Trustee on 23rd January 2019 and are signed on their behalf by:

**Mick Kennedy**  
Director of Trustee Company

**Gerry Morrissey**  
Director of Trustee Company

Construction Executive Retirements Savings

## 08

## Data Privacy Notice

**For CERS Members effective 25 May 2018**

Construction Executive Retirement Savings Trustees Designated Activity Company, which is the trustee of the Construction Executive Retirement Savings (the “Scheme”) is committed to protecting your privacy. For the purposes of the General Data Protection Regulation (the “GDPR”) and any related data protection legislation in Ireland, we are the data controller.

This Privacy Notice sets out the basis on which we will process any personal data we collect from you, or that you or third parties provide to us, in connection with your membership in the Scheme and which relates to you or to any individual connected with you. Please read this Privacy Notice carefully so that you understand your rights in relation to your personal data, and how we will collect, use and process your personal data.

**Information we collect about you and how we use it*****Information you and your employer give us***

We will collect your personal information i.e. information that identifies you for the purposes of the Scheme. This information may be provided to us directly by you, or through your employer who requests that you be admitted as a member of the Scheme. We also collect information through our website and our CCTV footage. We will sometimes record phone conversations and we will always let you know when we do this. We will take great care of the information provided and we will take steps to keep it secure.

***What types of personal data do we collect about you?***

We may hold the following personal information about you:

- personal details such as your name, gender, age, date of birth, email address, postal address, telephone or mobile number and identifiers such as PPS No.
- family details such as details about current marriage and partnerships and marital history, details of family and dependents
- employment details such as pensionable pay, length of service, employment and career history, job title, financial details such as income, salary, bank account details to process pension payments, benefits
- physical or mental health or medical conditions for the purposes of administering your Scheme benefits
- technical information and other information about your visits to our website and to our Pensions Portal

### ***How do we use your information?***

We will use your personal information to administer the Scheme and any future agreements that we may have with you relating to the Scheme and, to manage and develop our relationship with you.

We process your data to comply with our legal obligations under the Scheme's governing documents and pension and trust law requirements and otherwise for the purposes of our legitimate interests in promoting the proper and efficient administration of the Scheme in order to provide benefits for you and your dependants. From time to time, it may be necessary to process personal data relating to your health or other sensitive data for the purpose of establishing, exercising or defending a legal claim in respect of the Scheme (which includes assessing your eligibility or that of your beneficiaries for certain benefits).

### ***Who we share your personal data with?***

For the purposes of administering the Scheme we may provide relevant personal information to:

- the Administrator of the Scheme, CPAS
- your employer
- other companies within our Administrator's group
- cloud and other data storage providers
- IT service providers
- external printing and office support providers
- payment providers
- insurance companies
- legal and other professional advisers
- actuarial, administration and consultancy service providers
- the Pensions Authority and the Financial Services and Pensions Ombudsman
- Revenue Commissioners

We may also disclose personal information if required to do so by law and believe that such action is necessary to conform with the law.

If we provide your personal information to the above-mentioned third parties, we will take all reasonable precautions regarding the practices utilised by them in protecting your personal information. Those third parties will be required to: (i) keep your information safe and secure; and (ii) handle your information on our behalf and in accordance with our instructions.

### ***Where do we store your personal data?***

The information that we collect from you will be transferred to, and stored at/processed in the EEA. We will take all steps reasonably necessary to ensure that your personal data is treated securely and in accordance with this Privacy Notice.

We will only transfer your information outside of the EEA where we have adequate measures in place to provide appropriate safeguards such as the Privacy Shield (where recipients comply with the US Department of Commerce's EU-US Privacy Shield) or use of contracts approved by the European Commission.

### ***How long will we keep your personal data?***

Pension benefits are paid over a long period and your right to benefits payable under the Scheme is based on information that may date back many years. We may decide to delete some of the data held in relation to you and operate to a retention period of life of Scheme plus 7 years. However, your personal information may be held for longer where: (i) it is required by law or a court order; (ii) it is needed to defend or pursue legal claims; (iii) we consider it is necessary to ensure the Scheme pays the correct benefits; and (iv) to deal with any queries relating to your benefits as they may arise after that time.

### ***Your rights***

You have certain rights in relation to the personal information we hold about you, which we detail below. Some of these only apply in certain circumstances as set out below. Please note that we will require you to verify your identity before we respond to any of your requests. We must respond to a request by you to exercise those rights without undue delay and at least within one month (although this may be extended by a further two months in certain circumstances).

- **Right of access** – you have the right to request a copy of the information that we hold about you.
- **Right of rectification** – you have a right to correct data that we hold about you that is inaccurate or incomplete.
- **Right to object** – you have the right to object to certain types of processing such as direct marketing.

Please note that if you fail to provide accurate membership information or object to processing of your data it may result in a delay or an inability to process a claim for benefit under the Scheme.

### ***Direct Marketing***

Construction Executive Retirement Savings Trustees Designated Activity Company and other companies within our Administrator's group CPAS i.e. CIRT, CWPS, Milestone Advisory, CIF, construction related charities and trusted partner charities (e.g. the Irish Heart Foundation, Pieta House) may contact you about products and services they provide where you have consented to receiving same. If you do not wish us to use your data for this reason please telephone us on 01-4071430 or email us at [optout@cpas.ie](mailto:optout@cpas.ie). You will be given an opportunity to opt-out of receiving such messages and information on each occasion by post and e-mail.

### ***Technical information (including cookies) that we collect about you***

When you visit our website, we collect technical information about your computer, such as your internet protocol address (which is a number that can uniquely identify a specific computer on the internet), time zone setting, your login information, browser type and version, browser plug-in types and versions, operating systems and platforms.

We use cookies to collect information about your browsing activities over time following your use of our services. They allow us to recognise and count the number of users and to see how users move around our website when they are using it. This helps us to improve the services we provide to you and the way our website works.

### ***Complaints***

In the event that you wish to make a complaint about how we process your personal data, please contact us in the first instance at **[dataprotection@cers.ie](mailto:dataprotection@cers.ie)** and we will endeavour to deal with your request as soon as possible. This does not interfere with your right to raise a complaint to the Office of the Data Protection Commissioner, details of which can be found at **[www.dataprotection.ie](http://www.dataprotection.ie)** or by contacting their office on 1890 252 231.

### ***Changes to our Privacy Notice***

We may update this privacy notice from time to time. You will be able to see when we last updated the notice because we will include a revision date. Updates are effective from the date on which they are notified to members or posted on the website (**[www.cers.ie](http://www.cers.ie)**).

**Contact** If you have any queries or concerns please contact:

CERS, Canal House, Canal Road, Dublin 6

Tel: (01) 4071430 E-mail: [dataprotection@cers.ie](mailto:dataprotection@cers.ie)





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