



# Annuity Fund Focus

September 2022

## Providing insight into the Annuity Fund

### How does the Annuity Fund work?

The Annuity Fund aims to match the cost of buying a pension (annuity) by investing in a range of high-grade bonds. Therefore, the buying power of your DC retirement savings should remain broadly the same irrespective of whether the actual cash value of your savings falls, or rises, immediately before retirement.

### Who Should invest in the Annuity Fund?

The Annuity Fund may be suitable for you if:

- You are approaching normal retirement age; AND
- You are planning to use a portion of your DC retirement savings to buy a pension (annuity) at retirement; OR
- You are a Freestyle investor who wishes to use it as a diversifier, and you are willing to take the associated risk.

### How risky is the Annuity Fund?

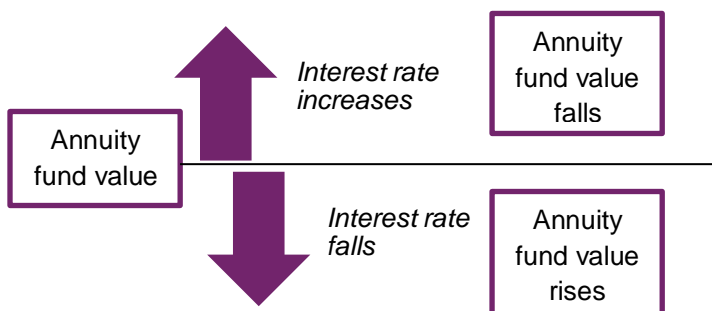
This depends on how far from retirement you are and whether or not you plan to buy an annuity at retirement.

The general rule of thumb is:

- This is a low-medium risk fund if you are approaching retirement and are going to buy an annuity when you get there.
- This is a high-risk fund if you are a long way from retirement and / or you don't intend to buy an annuity at retirement.

### How can a Fund be low-medium risk and high risk at the same time?

We know that this can be confusing but it all boils down to one thing – the relationship between bonds and interest rates. Basically, when interest rates rise, the value of bond investments fall and vice-versa.



The relationship with interest rates means that the returns of the Annuity Fund can be very volatile, and this makes it a high-risk fund unless you are planning to buy an annuity at retirement.

If you are planning to buy an annuity at retirement, then your focus should be on maintaining *the purchasing power* rather than the final cash value of your DC retirement savings.

## Questions?

Get in touch using the contact details below.



The AIB Pensions Administration Team - Aon  
Hibernian House, Building 5200, Cork Airport  
Business Park, Cork  
t 1800 806 133  
e [myaibpension@aon.ie](mailto:myaibpension@aon.ie)

This document is intended for information purposes only and does not constitute investment or financial advice. Investment in any particular fund or funds described in the document may not be suitable for all members. You may wish to obtain independent financial advice prior to choosing which funds to invest in. Although great care has been taken in selecting the investment funds made available to members, you should be aware that you bear the risk of incurring a loss due to the performance of the funds you are invested in (whether the Trustee has followed your direction or, in the absence of such direction, you have been invested in the default option), and the Trustee will not be liable for any such loss.

