

Viewpoint

20 years of Euro LDI funds: A proven foundation now widely supporting European pension schemes



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Liability-driven investment (LDI) has transformed from a Dutch regulatory response into a mature, pan European framework for pension risk management. Today, Irish and German schemes are increasingly drawing on this long established expertise to strengthen balance sheet stability and prepare their plans for the next stage of their evolution.

For two decades, liability-driven investment (LDI) has been a cornerstone of Dutch pension risk management. What began as a response to regulatory change in one European country has evolved into a mature, pan-European solution. Today, Irish and German pension schemes, which generally entered the LDI landscape later than their Dutch counterparts, are increasingly leveraging this established expertise to manage interest rate sensitivity, improve balance sheet stability, and prepare their plans for the next stage of their lifecycle.

As European pension systems evolve, the long track record of the Euro LDI platform – originally built to serve the complex needs of Dutch defined benefit (DB) schemes – has become a valuable resource for investors seeking robust, low-governance hedging solutions. The experience gained during market crises, yield shocks and regulatory transitions equips these strategies to support the needs of a broader client base, including corporate and occupational pension plans in Ireland and Germany.



A broader European story

In early 2007, Dutch pension regulation shifted decisively towards market-consistent valuation and a greater emphasis on risk management. The introduction of the FTK framework (Financial Assessment Framework) required schemes to measure liabilities using discount rates linked to market interest rates. As a result, Dutch funds faced significant volatility in the value of their liabilities whenever long-term yields moved. This environment accelerated the development of LDI strategies designed to stabilise funding ratios by hedging interest rate risk.

To support these needs, in 2006 we launched a suite of nominal Euro LDI funds. These pooled vehicles offered exposure to long-dated interest rate swaps, enabling schemes to hedge duration efficiently without the need to build complex derivative infrastructures internally. Over time, these funds became a core part of Dutch matching portfolios, used by both large industry-wide schemes and smaller corporate plans seeking operational simplicity. For the hedging of nominal and inflation risk combined, a series of real rate LDI funds were launched in 2009, known as LDI HICPx funds (Figure 1).

Figure 1: Our Euro LDI fund platform

Columbia Threadneedle's LDI fund platform		
Euro Liquidity Fund	Euro Gov Bond Fund	US ABS Fund
Euro Liquidity Plus Fund	Credit Buy & Maintain	Credit Low Duration
LDI swap funds		LDI White label Fund
LDI Nominal 2031		
LDI Nominal 2036	LDI HICPx 2036	Bespoke LDI funds
LDI Nominal 2041		
LDI Nominal 2046	LDI HICPx 2046	
LDI Nominal 2051		
LDI Nominal 2056	LDI HICPx 2056	Transition funds
LDI Nominal 2061		
LDI Nominal 2066		
LDI Nominal 2071		
LDI Nominal 2076		

Source: Columbia Threadneedle, 2026

Why Irish and German schemes adopted LDI later

Although the Netherlands were early LDI adopters, Irish and German schemes typically moved into LDI at a later stage, shaped by the evolution of their own regulatory and accounting environments. Both jurisdictions now face increasingly stringent expectations around risk management, making interest rate – as well as inflation risk – hedging a priority.

Ireland: de-risking and maturity

In Ireland, many DB plans are closed and maturing. Sponsors are actively de-risking, preparing schemes for long-term sustainability and, in some cases, the pathway towards buy-out or self-sufficiency. Several factors contribute to the increased adoption of LDI:

- Regulatory governance under IORP II¹ has elevated standards for risk measurement, liquidity oversight and operational controls.
- Corporate sponsors prioritise stability of contributions and funding ratios.
- An ageing membership base makes liability volatility more material.
- Trustees seek simplicity, and pooled LDI funds remove operational and collateral management burden.

Germany: aligning liabilities with long-term rates

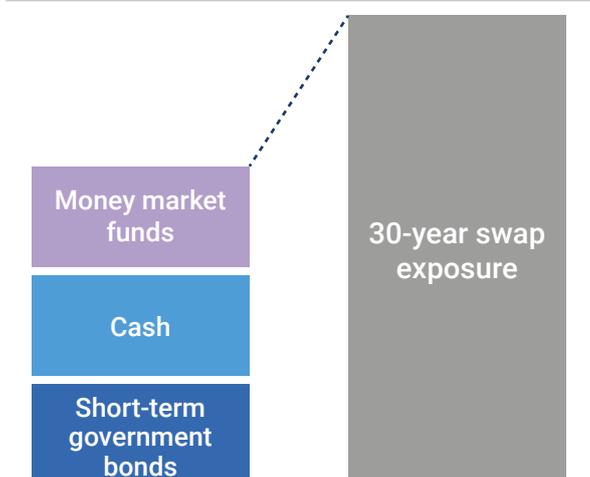
German pension arrangements are structurally diverse, spanning Pensionskassen, Unterstützungskassen, contractual trust arrangement (CTA) vehicles and corporate pension funds. Despite their differences, many face similar challenges:

- Accounting standards (such as the International Financial Reporting Standards, or IFRS) link pension obligations to long-term discount rates.
- Germany's integrated financial regulatory authority, BaFin, places strong emphasis on risk management, liquidity and collateral processes.
- Corporate sponsors are increasingly motivated to reduce volatility in reported liabilities.
- Many pension vehicles seek capital-efficient solutions that avoid direct ISDA (International Swaps and Derivatives Association) or collateral agreements.

How the Euro LDI funds work

The principle at the heart of LDI is straightforward: when interest rates fall and liabilities rise, the LDI funds gain value; when rates rise and liabilities fall, the funds decline accordingly.

Figure 2: Illustration of the workings of LDI Nominal fund 2056



Characteristics:

- Swap duration of 30 years
- Short-term collateral
- Leverage factor of approximately 1.7
- Leveraged duration of approximately 50 years

Source: Columbia Threadneedle, 2026

¹ The IORP II Directive was established to improve the regulation and supervision of occupational pension schemes in the European Union.

To achieve the appropriate duration exposure, the funds employ:

- Interest rate swaps as the primary hedging tool.
- Short-dated government bonds providing collateral support.
- Money market instruments ensuring liquidity.
- Carefully managed leverage (typically 1.5-3x) to efficiently achieve long-duration sensitivity.

The funds' structure reduces complexity. Daily collateral management is handled within the vehicles, meaning schemes do not need to manage derivative exposures directly. Interactions with investors occur only when collateral thresholds trigger drawdowns or distributions.

Relevance across Ireland and Germany

Irish pension trustees and sponsors increasingly integrate LDI as part of a long-term strategy. The Euro LDI funds can help stabilise funding levels through accurate duration matching and support buy-in or buy-out preparation. Their daily liquidity and transparency characteristics align well with IORP II oversight standards.

For German investors, the benefits include strong liquidity and collateral processes aligned with BaFin expectations, capital-efficient hedging for CTAs, and the flexibility to integrate LDI into diversified matching portfolios.

A proven platform for the next 20 years

With more than €40 billion in LDI assets under management across LDI funds and LDI segregated mandates², our Euro LDI platform has developed into one of the longest-standing and most experienced solutions of its kind in Europe. Today, its relevance extends well beyond its Dutch origins. As Irish and German pension schemes continue to mature, the demand for reliable, transparent and operationally efficient LDI solutions will only increase.

² Columbia Threadneedle Investments, data as of 31 December 2025

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