2017 PART III EXAMINATIONS

Subject Title: C10 Commercial Actuarial Practice

Date: Friday, 5 May 2017

Time: 9:00am – 5:00pm

Time allowed: Eight (8) hours

Instructions: Type your answer to your chosen question using Microsoft Word and ensure that there are no links to spreadsheets.

Spreadsheets must be embedded in your MS Word Document. Only your Microsoft Word document will be marked.

In your answers, include your candidate number in the header and footer on each page of the document.

Number of Questions: Five (5)

Candidates are required to answer only **ONE** question.

This paper has **Seventeen** (17) pages (including this page).

ENTERPRISE RISK MANAGEMENT

QUESTION

The Capland Agency for National Statistics (CANS) had a change of leadership about 18 months ago. John Oldways, who had been head of the organisation and Chief Statistician for many years, was replaced by Jane Newtown, as part of the Capland government's new data and digital strategy for the future. Jane does have some understanding of surveys and statistics of course, but was brought in with a brief to modernise the agency, in particular to better use big data and to make public sector data more accessible overall. John has stayed on in a technical advisory role.

CANS has traditionally been quite a risk averse organisation, as their legislation is quite specific regarding their duty to protect data, particularly individual sensitive data, from the risk of any accidental disclosure. This has led to accusations from private organisations and some in the research community that CANS suffers from excessive conservatism and lack of willingness to use public data to its fullest commercial and public good potential. An example that is often cited is the practice of linking census data to other datasets at an individual unit record level once, for a specific research project, and then destroying the linked datasets, so the work cannot be reused.

Jane's tenure has been marked by three specific events:

- A process of consultation, change and restructure, to implement the modernisation agenda. External management consultants have been brought in to facilitate this process, and while successful in some areas, there has been resentment and misunderstanding in others, particularly from the traditional survey areas and statisticians who are concerned change is coming too fast, or even consider that there is no need for change. The restructure process has become bogged down somewhat.
- A case of fraud and insider trading, involving a junior data analyst at CANS providing information ahead of its public release to an old school friend who worked at an investment bank and traded on an index that responded to that information. It was discovered inadvertently, at the investment bank, and now both the analyst and the trader have been convicted and jailed. CANS is asking themselves how this could have happened and gone undetected on their side, particularly as the staff are proud of their risk management standards, especially in respect of statistical risk.
- The five-yearly Capland Census debacle. As part of modernisation, two changes to past practice were introduced:

    1. CANS was encouraging as many people as possible to complete their Census online. It had been successfully available online at the previous Census, although this was not heavily promoted at the time.
    2. CANS was going to keep individual names and addresses for a longer period than in the past, enabling more extensive linkage of records between Censuses, which would be retained rather than destroyed.

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Both of these changes, but particularly the second, received very poor publicity in the weeks prior to the Census. Several Capland elected representatives went so far as to say they would not complete their Census forms as a protest against what they saw as inappropriate Government use of personal data.

This poor publicity paled in comparison to the catastrophe that unfolded on Census night itself, where individuals could not access the website, or filled in their data only to be unable to submit it and the website was eventually closed down and made unavailable for several days. Communication around the event was confusing, initially CANS advised the public that the website was the subject of deliberate hacking while later they advised their external provider of web services, An External Provider (AEN), had not allowed for the volume of traffic on the night and that was what caused the website to crash.

Following these events and the significant loss of public trust in what was previously one of Capland's most respected and trusted Government agencies, Jane and the executive at CANS have decided they need to completely overhaul their existing risk management strategy and approach.

Further, recently CANS has been working on a sensitive project with other government agencies, Project LINK, to link individual level data records collected over a number of years. This would involve linking Census, taxation, healthcare, welfare and criminal history records for individuals into a single de-identified database that would be available in a secure environment to trusted and vetted researchers, called SAFE (Secure and Fast Environment). All projects would be approved by a specific ethics committee.

Project LINK will initially cover a random sample of 2 million Capland residents of all ages, with a data history going back 5 years (where available), for a total of almost 14 million rows of data.

Area	Number of records (m)
Census	1.9
Taxation	7.8
Healthcare	3.2
Welfare	1.2
Justice	0.5

CANS cannot afford another debacle or any further poor publicity and so is very keen to ensure the best possible risk management process is put in place specifically for this project, as construction of the database reaches completion and the first projects are proposed for approval.

Further, staff at CANS have become increasingly aware of cyber risk and have started investigating the possibility of insuring against this risk in respect of Project LINK. User fees for access to the Project LINK data through the SAFE environment would cover the cost of this insurance.

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You are a risk management professional and actuary, working in a boutique risk management and insurance consultancy firm, Actuaries@Risk. CANS has approached your firm particularly because they believe actuaries will have a deep understanding of statistical risk, which is a highly specialised risk domain and very important to CANS. They also know that your firm provides advice on insurance needs.

CANS have asked your firm to prepare a report addressing:

1. The detailed and specific process and activities you propose to implement with CANS to overhaul their Risk Management Strategy
2. A draft risk appetite statement for consideration by the executive management of CANS
3. The specific risk management process you propose for the remainder of the LINK project, to ensure its successful execution
4. Some commentary on seeking cyber risk insurance for Project LINK specifically around design of the cover and possible range of costs, including a structure for user fees

CANS needs to act quickly, so Jane decides to call an emergency board meeting at 5:00pm today. You just got into the office at 9am and saw Jane's requirements sent to you from the firm's client lead, asking you to prepare the required report.

CANS has provided the background material in attachments 1 to 3 below:

You have recently read the two attached articles in Actuaries Digital, from Australia. The evolution of the cyber risk insurance market in Capland is effectively identical to that in Australia, so you have decided to draw on these in preparing your report.

Attachments

Appendices:

1. An extract from CANS' Strategic Plan describing Risk Oversight and Management at CANS
2. An extract from a CANS document introducing the use of Quality Gates to help manage statistical risk

Spreadsheet:

3. C10 ERM S1 2017.xlsx

   Some info on Cyber risk insurance – a CANS staff member has come across the attached pricing information and CANS would like you to consider them in preparing your advice

Articles:

4. Amos Pettifer Part 1.pdf
   "Insuring Cyber Risk - Concerns about Coverage (Part 1)" (Amos and Pettifer)

5. Amos Pettifer Part 2.pdf
   "Insuring Cyber Risk - Concerns about Coverage (Part 2)" (Amos and Pettifer)

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APPENDIX 1: RISK OVERSIGHT AND MANAGEMENT:

CANS is undergoing significant transformation. This is a once-in-a-generation opportunity to improve our infrastructure, capacity and capability. A period of rapid change increases our exposure to risk. However, a 'no change' approach also involves risk exposure.

As part of this transformation, CANS seeks to integrate effective risk management into the way it does business, so we can achieve our objectives, manage change effectively, realise opportunities and make sound decisions on the use of public resources.

CANS has a strong focus on managing statistical risk (for example, lack of coherence between published statistics, or breaks in time series). Robust processes around statistical risk ensure that these risks are understood and managed in a cost effective way. Over the last year, CANS has given increased priority to ensuring statistical risk is managed well. A new more rigorous and pragmatic framework has been applied to Labour Force, National Accounts, Consumer Price Index and Estimated Resident Population. Key statistics which contribute to these series are being progressively brought onto the new framework throughout 2016-17.

This new statistical risk framework is designed to ensure statistical risk management is streamlined, pragmatic and actually makes a difference, without unnecessarily stifling innovation. The new framework addresses issues which came to public attention in late 2014 when unexpected volatility was observed in seasonally adjusted labour force estimates for July to September 2014. [Note: prior to Jane's arrival]

As the accountable authority for CANS, the Chief Statistician has a duty to establish and maintain systems relating to risk and control under the *Public Governance, Performance and Accountability Act 2013* (the PGPA Act). The Chief Statistician has set out responsibilities related to managing risk and internal accountability through an Accountability Authority Instrument (AAI) issued under the Act.

The CANS risk management framework aligns with the Capland Government Risk Management Policy and is subject to continual improvement. The framework ensures there is a mechanism for monitoring and identifying shifts in risk exposure and the emergence of new risks. It also articulates tolerances for new risks and actions required when risks reach certain levels.

In addition to general risk management, the AAI and the framework identify mechanisms for specialist risk management which address persistent risks. These include: fraud (managed consistently with the Capland Government Fraud Control Framework); work health and safety; information and communication technology security; and disclosure risk (relating to privacy and confidentiality which is part of CANS core business).

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APPENDIX 2: STATISTICAL RISK ASSESSMENT FRAMEWORK AND THE USE OF QUALITY GATES

Among national statistical agencies it has long been acknowledged that "confidence in the quality of the information it produces is a survival issue for a statistical agency" (Brackstone 1999). However, given the amount of data that a statistical agency handles each and every day, the risk of releasing incorrect statistics to the public and the subsequent loss of confidence in the organisation by users for this type of error is very real.

Errors in statistical outputs can be minimised by committing to quality management strategies, such as risk management. Risk management is concerned with identifying potential risks, analysing their consequences, and devising and implementing responses, ensuring that corporate and business objectives are achieved while upholding quality.

CANS leads Capland's national statistical service, running hundreds of surveys and publishing thousands of pages of output every year. As with any large and complex organisation, problems with processes do arise and CANS has suffered errors in its data in the past with varying degrees of impact on the public domain. Most errors are detected in-house before publication; however, this has at times resulted in intense last-minute work to correct the problems leading to delays in the release of data. Other errors have only been discovered after release, resulting in re-issue of statistical output. As a result of these errors CANS has endeavoured to instigate better quality management practices through the development and use of the risk mitigation strategy known as quality gates.

Quality gates are designed to improve the early detection of errors or flaws in production processes. Specifically, the principles that underpin the quality gates framework are:

- Quality of statistical processes should be managed in a holistic manner i.e. Total Quality Management;
- Quality management and assessment of fitness-for-purpose of statistical processes should be evidence based;
- Any problems arising in statistical processes should be detected as early as possible;
- Roles and responsibilities in the management of process quality should be clear and explicit;
- Knowledge and information about specific stages of a statistical process should be documented and shared; and
- Regular evaluation should capture lessons learnt and lead to continuous improvement of quality management of statistical processes.

The concept of quality gates is not a new one. It has been used in other fields for many years such as the automotive and information technology industries. In CANS, quality gates consist of six components which distinguishes them from more general everyday risk management strategies. The six components of a quality gate are Placement, Quality Measures, Roles, Tolerance, Actions and Evaluation. A further paper describes in more detail the quality gate framework to enable its use as a statistical risk mitigation strategy primarily for statistical processes. In particular, the paper provides an

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explanation of each of the six components of a quality gate, followed by examples and templates to assist agencies to apply the framework.

Quality gates can be used to improve the visibility of quality in the production process as well as being used to measure and monitor quality in real time at strategic points. Quality gates consist of a set of acceptance criteria imposed at predetermined points in a production process whereby each of the components (Placement, Quality Measures, Roles, Tolerance, Actions and Evaluation) play an important part in determining the fitness for purpose of the process.

Quality gates are designed to facilitate the detection, discussion and resolution of issues and problems through a collaborative effort to improve the quality of products.

The CANS Statistical Risk Assessment Framework can be used in several ways to assist in the development of quality gates for a statistical process. The Statistical Risk Assessment Framework can be used to assist in assessing the level of risk to the process, statistical outputs, and organisation of a particular situation occurring. It can also assist with the "action" that should be taken if a quality gate is failed.

The Statistical Risk Assessment Framework cross classifies the levels of "Likelihood" (chance of the risk occurring) and "Consequence" (effect on the immediate process or statistical outputs of the risk occurring) to reveal an overall assessment of the risk which could be either Low (L), Moderate (M), High (H) or Extreme (E) to help with decision making.

END OF QUESTION

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GENERAL INSURANCE

QUESTION

It is 9am on Thursday 4th May 2017, and you are Anne Actuary, the new Pricing Manager working for Mono Insurance, a Capland insurer that only sells CTP (compulsory third party motor bodily injury insurance). Two months ago, after several years working in Mono's pricing team, you were promoted to Pricing Manager, after the previous Pricing Manager (Yuri Boris) was also promoted to become the Chief Risk Officer. Before your promotion, you did most of the technical actuarial work for pricing, but Yuri Boris always set the final pricing assumptions and signed the rate filing that went to the CTP regulator. Now that you are Pricing Manager, you are responsible for the pricing assumptions and rate filing sign-off.

Capland CTP is a compulsory insurance, regulated by the Capland Insurance Authority (CIA). The key aspects of the CTP regulatory requirements are:

- Insurers must show that they have a 99% chance of remaining solvent over the coming 5 years.
- Insurers must accept all applications for CTP insurance.
- Insurers may not use any rating factors to price policies differently.
- Insurers must lodge their rate filings 1 month before the new rates become effective, and the regulator has the power to reject this rate filing if it believes that the assumptions are unrealistic. Note: The regulator has never actually used this power.
- Insurers may not have a CTP rate filing profit margin greater than 8% of the gross premium. Profit margin is defined as the net present value of projected insurance profits using the rate filing assumptions.
- All claim payments are lump sums.

Yesterday the Capland Legal Society and Capland Consumer Protection Authority published a press release summarising their joint report. The report strongly criticises the Capland insurance industry for profiteering. Amongst its criticisms are:

- Since CTP was privatised in 1990, insurers have paid less than 65 cents in claims for every dollar in premium collected.
- For the past decade, Capland insurers have been reporting annual profits on CTP that regularly exceed the 8% limit set by the CTP regulator.
- A claim by an anonymous "inside source" that the CTP regulator has been "rubber stamping" premium filings due to budget cutbacks and staff shortages.

Catherine Everton-Overton, the CEO of Mono Insurance, has asked Yuri to give her a risk management plan to deal with this developing situation. In turn, Yuri has delegated this problem to you. By 5pm today you need to provide a report to Yuri and Catherine that addresses:

- what to say to the press about the 3 key criticisms, and
- whether any changes need to be made to actuarial processes and pricing strategy.

Note: Capland actuaries must follow the Code of Professional Conduct set by the Actuaries Institute in Australia, but none of the professional standard applies.

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Attachment 1: C10 GI S1 2017 CAP General Insurance Data.xlsx

Mono Insurance CTP financial data

Attachment 2: Mono Insurance Last Regulatory Rate Filing

Assumption / Data	Value	Comment / Justification
Effective Date	1st January 2017	
Submitted to Regulator	1st December 2016	
Claim Frequency	0.305%	Based upon the average of the past 3 accident years
Average Claim Size (inflated, including superimposed)	$225,000	Based upon quarterly triangle of payments per claim finalised. Using the claim inflation assumption and durations listed below.
Economic Inflation (% pa)	4.75%	Based upon wage inflation
Superimposed Inflation (% pa)	3.00%	In the past there have been years with 8% pa superimposed inflation
Weighted Average Duration of Claim Payments (Years)	3	
Discount Rate (% pa)	2.00%	
Risk Premium	$647	
Expenses (excluding reinsurance)	23%	Budget expenses + allowance for possibility of exceeding budget
Net Reinsurance Cost	$56.96	$90 million reinsurance premium with 50% loss ratio spread across 790,000 policies pa
Profit Margin	8%	
Gross Premium	$1,020	
Actuarial Sign-off	Yuri Boris FIAA	

END OF QUESTION

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GLOBAL RETIREMENT INCOME SYSTEMS

QUESTION

The retirement income system in Wonderland has two components to it:

1. A Government funded age pension equal to 25% of the average wage for all individuals. This pension is payable to individuals over age 65 but is subject to an income test (see below).
2. A compulsory occupational pension system where the employer and employee each contribute 5% of earnings into a privately managed pension fund. These contributions are tax deductible for both parties but are subject to a tax on contributions of 15%. Voluntary contributions are not permitted. The investment earnings during the pre-retirement period are also subject to a tax of 10% on all income but there is no tax on investment earnings during the pension period. Insurance premiums and administration fees are paid separately.

   The accumulated benefit is converted into a price-indexed untaxed lifetime pension at retirement (i.e. at age 65) using a unisex commutation rate of 15:1. Lump sums are not available. Life expectancy at age 65 is 20 years.

The income test on the age pension reduces the age pension by 35 cents for every dollar of occupational pension above 25% of the average wage. This means that the age pension is only reduced when the pensioner's total income from age pension and occupational pension is more than 50% of the average wage.

The income tax system in Wonderland is as follows:

Taxable income level	Income tax paid
Less than 25% of the average wage	Nil
25% to 50% of the average wage	10% of taxable income above 25% of the average wage
50% to 75% of the average wage	2.5% of the average wage plus 20% of taxable income above 50% of the average wage
75% to 100% of the average wage	7.5% of the average wage plus 30% of taxable income above 75% of the average wage
100% to 150% of the average wage	15% of the average wage plus 40% of taxable income above 100% of the average wage
Above 150% of the average wage	35% of the average wage plus 50% of taxable income above 150% of the average wage

Any part- or full-age pension is fully taxable whereas the occupational pension is not taxable, as tax has already been paid on the contributions.

A powerful lobby group, known as Alice, has suggested to the Government that this retirement income system is unfair in that it provides unreasonable tax concessions to higher income earners whilst not providing the same level of Government support in respect of retirement income to lower and middle income earners.

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The average annual wage in Wonderland is currently $75,000 although there is quite a spread of income levels. The following table shows income levels for different full time income percentiles:

Income percentile	Annual wage
5%	$35,000
25%	$45,000
50%	$65,000
75%	$90,000
95%	$140,000

The economic conditions in Wonderland are as follows:

- Price inflation over the last 20 years has remained between 2% and 3% pa, which represents the central bank's objective
- Over the long term, real salary increases have averaged 1% pa
- Occupational pension funds are invested in a range of assets and over the last 20 years have earned a rate of return of 4.25% pa above price inflation, after expenses but before any taxation.

The Government has approached you as a well-known consulting pension actuary to build a model and use it to prepare a report that addresses the following issues:

a) In considering the overall retirement income system, how would you define a fair system, taking into account all costs to Government? Explain the rationale for your response.
b) In the light of the results from your model and your response to part a), determine how fair you consider the current system to be. Present and explain these results in a manner that could form part of the Government's media release.
c) Recommend changes to the current system to improve fairness (as discussed in part a)) and show how these recommendations would achieve this outcome. The recommended changes should not be expected to increase costs to the Government over the longer term (i.e. the combined cost of the age pension and the taxation concessions across the population) and should also maintain a system that is simple to understand and administer.

Your model should show the total cost to the Government (i.e. age pension and tax concessions) for an individual over their lifetime. You may assume that the individual works full time from age 22 to age 65 with no career breaks. You may also ignore promotions for individuals during their careers. Within your report you will need to illustrate the costs for individuals at various income levels. An attachment to your report should also show the numbers for the median income earner to illustrate your methodology.

END OF QUESTION

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INVESTMENTS

QUESTION

Capland is a well-developed first world country with a complete investment and financial services market. Superannuation funds in Capland are funds that invest their members' retirement savings. Capland regulation prohibits Superannuation funds from trading in derivative products of any kind.

Big Retirement Solutions (BRS) is one of the largest superannuation funds in Capland and a leading innovator in the superannuation space.

Over the past few years, the superannuation industry in Capland has seen a new phenomenon where the members, in order to reduce the fee cost and have greater control and flexibility over their retirement savings, are setting up their own Self-Managed Funds (SMFs). A recent publication by a government statistical agency reports that as of December 2016, the funds under management (FuM) in the SMFs is 50% of the total superannuation savings in Capland. The report stated that the total FuM in SMFs is approximately C$1 trillion. Most of the SMFs are set up by older individuals (aged 50+) who have relatively larger superannuation balances. The prescribed retirement age in Capland is 65.

This recent exodus to SMFs is having a significant impact on the industry. The Board of BRS has decided to address this issue of member retention. The board, after consultation with the industry and its own members, has arrived at the conclusion that there is a significant public concern with regards to the volatility in investment market returns, and particularly its impact on superannuation balances. A product that addresses this concern may improve member retention, but any product that charges very high fees is unlikely to attract much interest.

The board of BRS has noted that none of its peers provide a guarantee product to their members. As the leading innovator in the industry, the board has decided to provide a guarantee product of the following form:

- The product has a fixed investment period. Members can opt-in at any time but once they do, they are locked in for the period. At the end of the period, they can reinvest in the product.
- The product will provide a return, before all fees and charges, of the higher of the return on 10-year government bonds and the return on equities over the same period.
- All fees and charges will be stated upfront.
- The product's mandate is to invest 100% in Equities.

You are the Chief Actuary of BRS. The board has asked you to develop this product. In particular, the board has requested the following:

- What investment period should the product be specified for?
- If capital is necessary, how much capital is required? What should be the investment strategy for capital?
- What should BRS charge for the product?

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Write a report to the Board of BRS specifying the design of the product with appropriate justification. The report should include your recommendation on:

- The suitability of BRS providing the proposed product, and
- The likely success or otherwise of the proposed product.

(Details of the specifics relevant to this product are outlined in Appendix 1.)

Appendices:

1: Product Details

Spreadsheets:

Capland Investment Data.xlsx

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APPENDIX 1

Management Fees

The annual management fees charged by BRS, as % of FuM, are as follows:

Equities – 0.50%
Bonds – 0.25%
Cash – 0.10%

Capital

The parent company of BRS has access to large amounts of capital, which can be deployed upon request. The providers of the capital require a minimum 10% return on capital p.a.

According to the regulator of Capland, capital guarantee investment products require capital amounts such that the product can withstand a one in a hundred-year event.

Tax

Capland regulation states that the superannuation returns are tax free.

Investment Strategy For The Proposed Product

100% of the members' funds will be invested in equities. No other asset classes are to be considered for the purpose of investment strategy.

Note: In answering this question, the investment strategy is NOT to be changed from the one specified above.

Investment Return Data

Historical data from Capland's investment asset classes is provided in *Capland Investment Data.xlsx*.

A note on calculating equity assumptions: The best way to calculate equity returns is using rolling returns for the period under consideration. For example, for biennial rolling returns, the returns are calculated for the period, Jan2000 – Jan2002, Feb2000 – Feb2002, and so on. The assumptions are then calculated from this return series. Similarly, the return series can be calculated for longer or shorter investment periods. This ensures that the inherent mean-reverting behaviour of equity returns is captured within a random walk model.

END OF QUESTION

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LIFE INSURANCE

QUESTION

Capland is a first world country with a fully developed financial market.

Its retirement savings system has never had defined benefits. The final benefit is the accumulation of the contributions with investment earnings (after expenses). There are many competitive fund managers operating in this space. The retirement age is 65 for all.

Retirees are required to take at least 75% of their retirement benefit in the form of an allocated pension which has minimum annual drawdowns (See Appendix A). For historical and cultural reasons, there are very negative feelings in respect to lifetime annuities.

In practice, many retirees find they have exhausted their allocated pension accounts whilst still in good health. There has been growing anger at this, which is expected to increase as life expectancy gets longer. The Association of Retirees ("AoR") has been leading a campaign to force the Government to "fix the problem". Capland is to hold an election in 6 weeks and the Opposition has picked up AoR's campaign. As a result, both the campaign and the Opposition have been gaining support.

You are the Capland Government Actuary, having been appointed 3 months ago. Prior to that you were the senior partner of a large firm of consulting actuaries in Capland. In a conversation with you, the Government Treasurer has made the following comments:

> *"Given the growing support for the Opposition the Government must come up with a solution to this retirement income problem. I need you to give me advice on the possible solutions and your specific recommendation as to the policy to be adopted by the Government. The policy would be announced at an appropriate time prior to the election.*
>
> *Some of the options which have been suggested to me include:*
>
> - *Radically reduce the minimum drawdowns for allocated pensions*
> - *Force retirees to take a material proportion, e.g. 75%, of the initial retirement benefit in the form of a non-commutable life pension*
> - *Provide a government guarantee that when a retiree's allocated pension account drops to zero they will receive a pension at a level related to their original retirement lump sum*
>
> *There may be other options. In your advice, I want you to provide:*
>
> - *An analysis of the three options, and any others you think are reasonable, including an estimate of the relative level of cost to the Government of the options you consider, taking into account any flow on effects.*
> - *Your recommended policy that will ensure that this problem is "fixed" with no unintended consequences."*

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Task:

Prepare your report

Attachments

Appendices:

A: Rules for Allocated Pensions
B: Age Pension Means Tests

Spreadsheets:

Capland Population Mortality 2010_2012.xlsx

Capland Investment Data June 2016.xlsx

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Appendix A: Rules for Allocated Pensions

Investment income for Allocated Pensions is tax free provided the minimum annual drawdowns, as set out below, occur in each year. Otherwise, tax at 30% is levied on the investment income and the after-tax investment income is treated as income for the age pension means test. The drawdown is not subject to tax, but is included as income for the means test.

Minimum Drawdowns are as follows, as a percentage of opening balance at 1 July in each financial year:

Age	Minimum Annual Drawdown %
65 - 74	8
75 - 79	10
80 - 84	14
85 - 89	16
90 - 94	18
95 & older	20

Appendix B: Age Pension Means Tests

Everyone aged 65 or older is entitled to a government funded age pension of $C4,000 per month (currently). This is indexed each year at the rate of increase in Average Weekly Earnings.

This pension is reduced by 50% of the amount of pre-tax income earned in that month. Income includes:

- investment income, except on an allocated pension account from which at least the minimum drawdown has been taken,
- income from employment,
- all drawdowns from an allocated pension account, and
- other income, as determined by the Pensions Authority.

Currently, monthly income in excess of $C8,000 reduces the pension to zero.

END OF QUESTION

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