



Actuaries Institute Financial Services Forum

Presentation by: David Bell
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Disclaimer

The information in this presentation is of a general nature only. It doesn't take into account your objectives, financial situation or specific needs. You should consider seeking legal advice before acting on this information.

Mine Superannuation Fund ABN 16 457 520 308

Trustee: AUSCOAL Superannuation Pty Ltd ABN 70 003 566 989 AFSL 246864

Administrator: Mine Super Services Pty Ltd ABN 49 051 315 014



Background

A panel of academics and industry professionals was established to research and ultimately develop MDUF v1 (Member's Default Utility Function version 1).

The panel has over 200 years of combined relevant experience.



- David Bell, Mine Super
- Estelle Liu, Mine Super
- Dr Adam Shao (from work undertaken at Mine Super), now at Milliman

- Assoc. Prof. Anthony Asher, UNSW
- Nick Callil, Willis Towers Watson
- Prof. Geoff Kingston, Macquarie University
- Dr David Knox, Mercer
- David Schneider, 10E24
- Tim Unger, Willis Towers Watson
- Dr Geoff Warren, ANU

Working group members have been contributors who also endorse the MDUF v1 as a sensible starting point when determining a set of preferences for Trustees to assume on behalf of those members whom they have little insight into.

- Dr Jack Ding, Milliman
- Wade Matterson, Milliman
- Craig McCulloch, Milliman
- Nicolette Rubinsztein, UniSuper

Informal contributors have participated in the MDUF v1 Project but make no endorsement.

Establishing an objective

What is a sensible set of financial preferences for a super fund to assume on behalf of the members that we know little about?

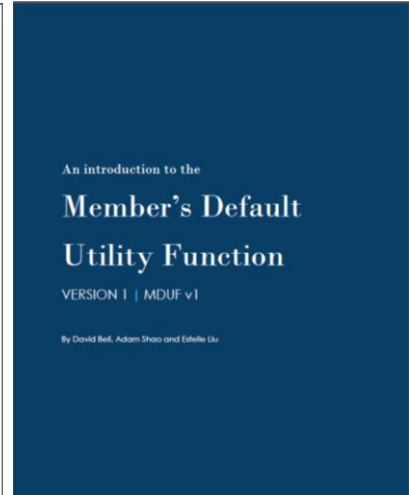
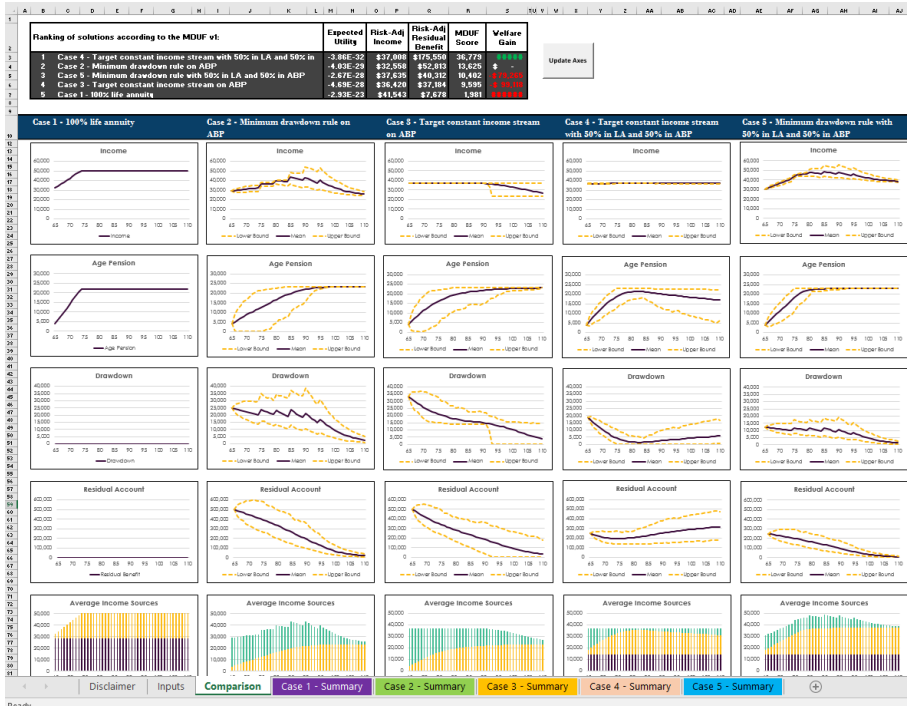
The MDUF v1 accounts for the following considerations:

- A higher income stream is viewed more favourably
- A more volatile income stream is viewed less favourably
- Outliving one's retirement savings is a poor outcome
- Residual benefit is valued
- People are risk averse (the pain of an adverse outcome is greater than the joy of a positive outcome)

MDUF v1 also accounts for the trade-off's between these issues.

Collaboration

Examples of materials




Analysing CIPR

Most CIPR's will detract value through the lens of MDUF v1


Solution	Benefit – for someone with \$300k at retirement (relative to managing an ABP drawing at MDD rules in conjunction with the Age Pension)
30% DLA / 70% ABIS	-\$85k
15% “Smart” DGSA / 85% ABIS	+\$3k

Notes: all modelling assumptions are included in Mine Super's submission to DSS titled “Means Test Rules for Lifetime Retirement Income Streams”.



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