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**Actuarial
Institute**



Deferred Annuities – What Exactly do they look like?

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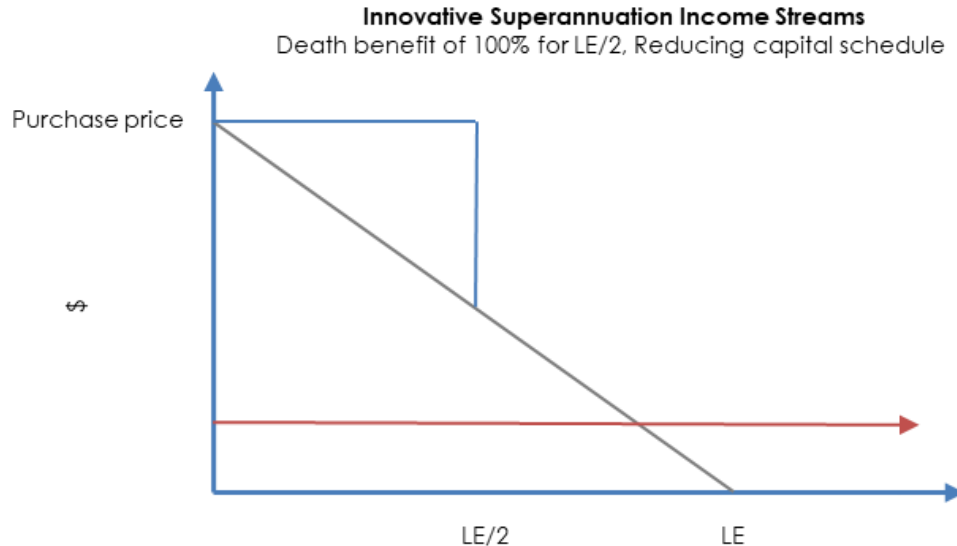
Historic impediments to DLAs

Impediment	Rating
SIS definition of superannuation pension	
Earnings tax treatment during deferral period	
Minimum surrender value standard	
Means testing treatment	
Minimum drawdown rules	

Current state

Impediment	Rating
SIS definition of superannuation pension	Green
Earnings tax treatment during deferral period	Red
Minimum surrender value standard	Yellow
Means testing treatment	Red to Green gradient
Minimum drawdown rules	Green

Innovative Superannuation Income Streams



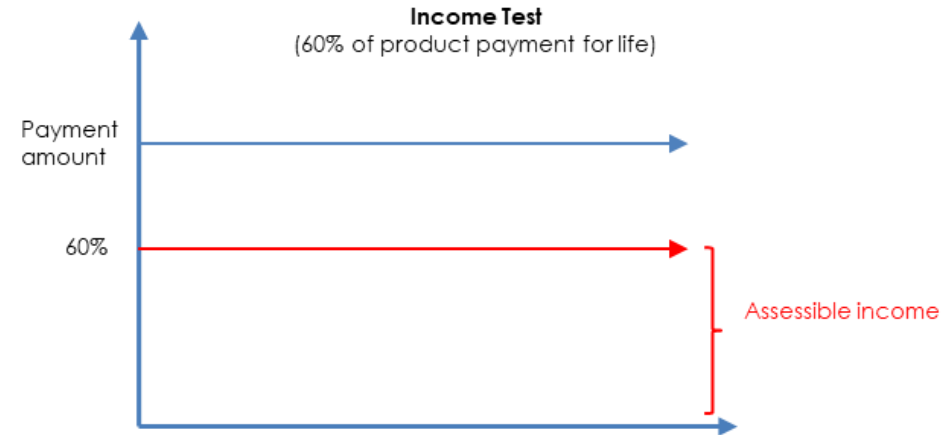
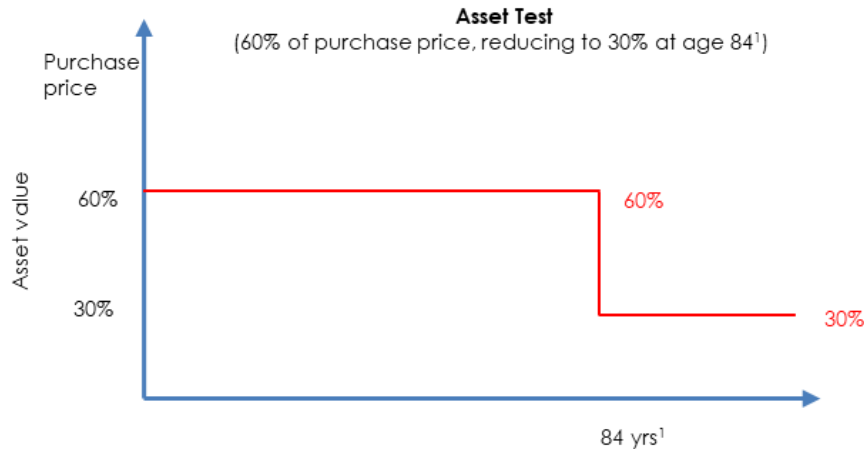
Payment commencement can be deferred to a later event

Subject to decline capital access schedule

Once payments commence:

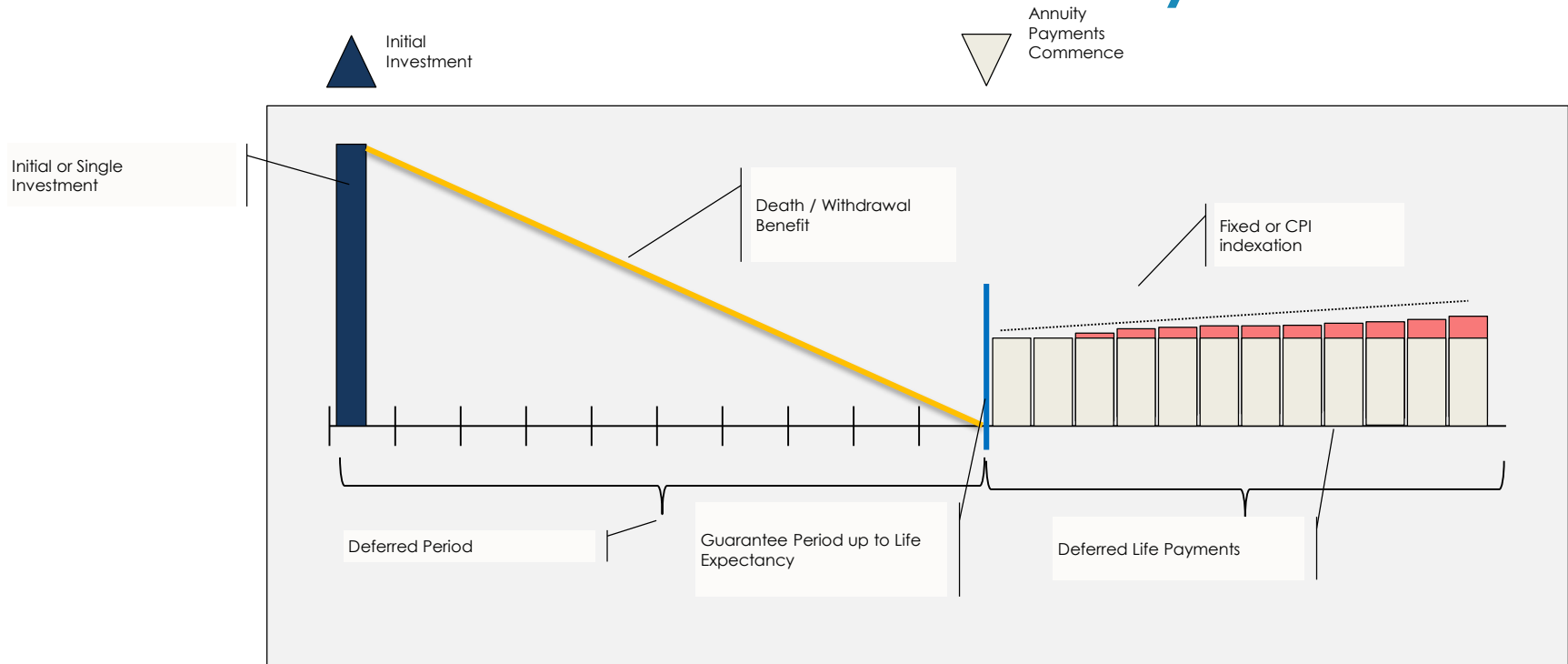
- Must be paid at least annually
- No unreasonable deferral of income

Means testing of pooled lifetime income streams



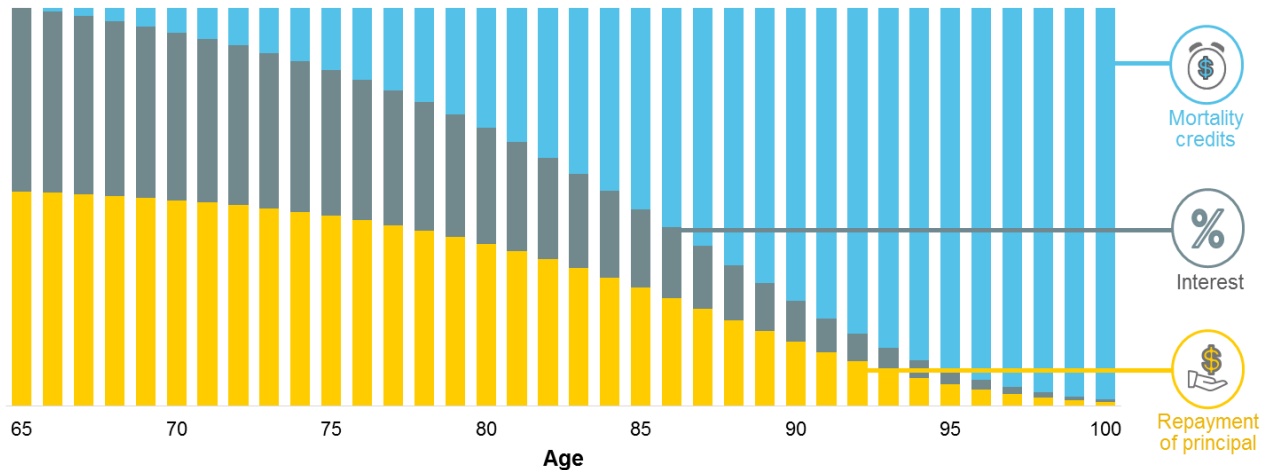
1. Subject to minimum of 5 years from commencement

Basic Design of a Deferred Lifetime Annuity



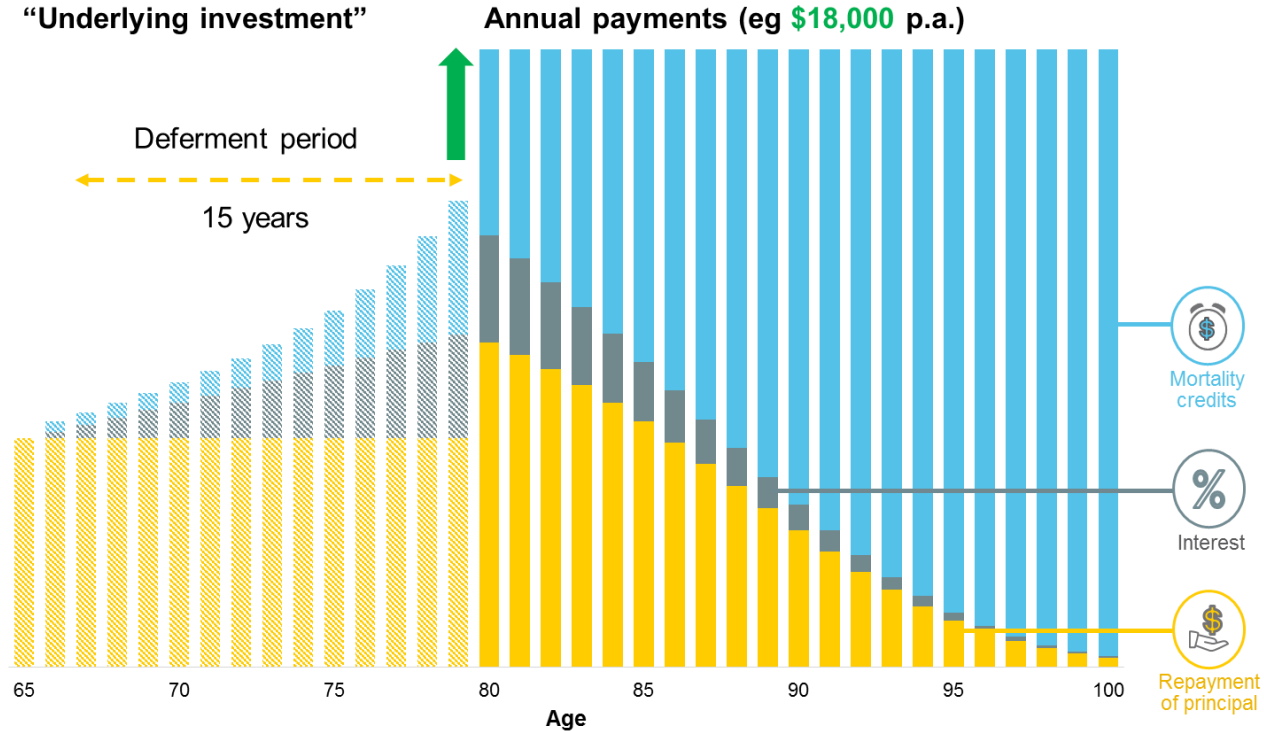
Lifetime annuity payments

Annual payments (eg \$7,000 p.a.)

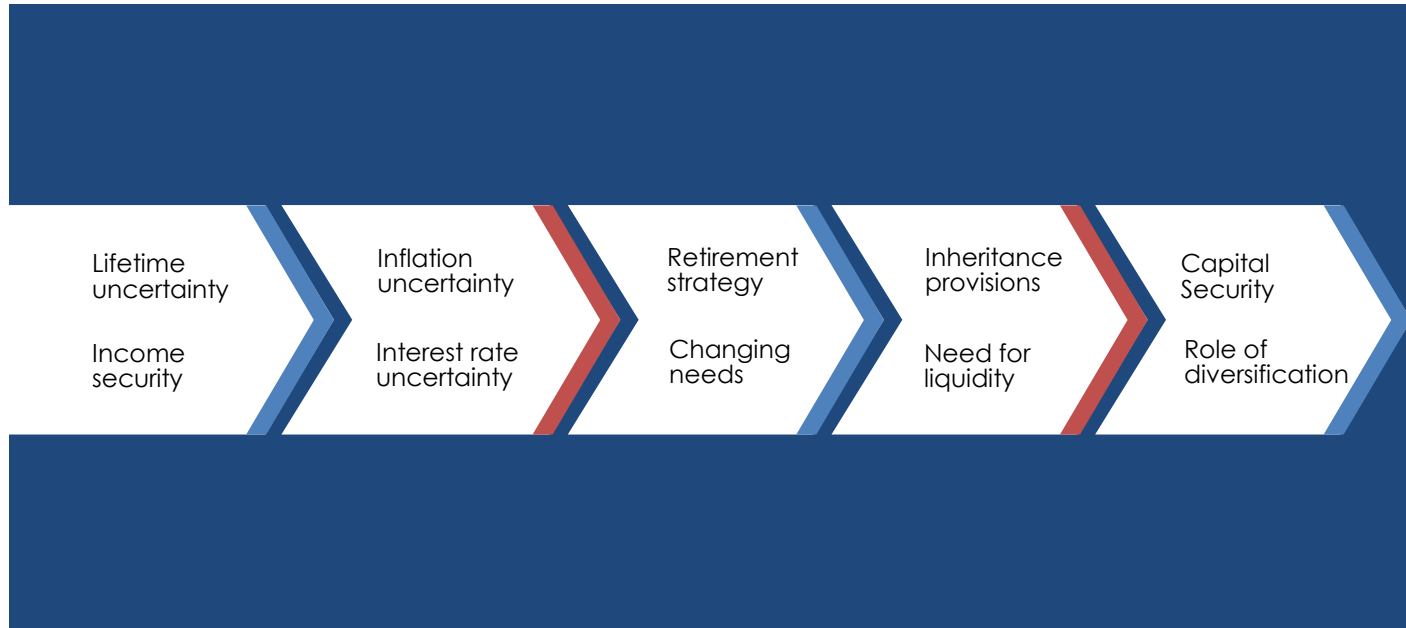


Source: Cominsure

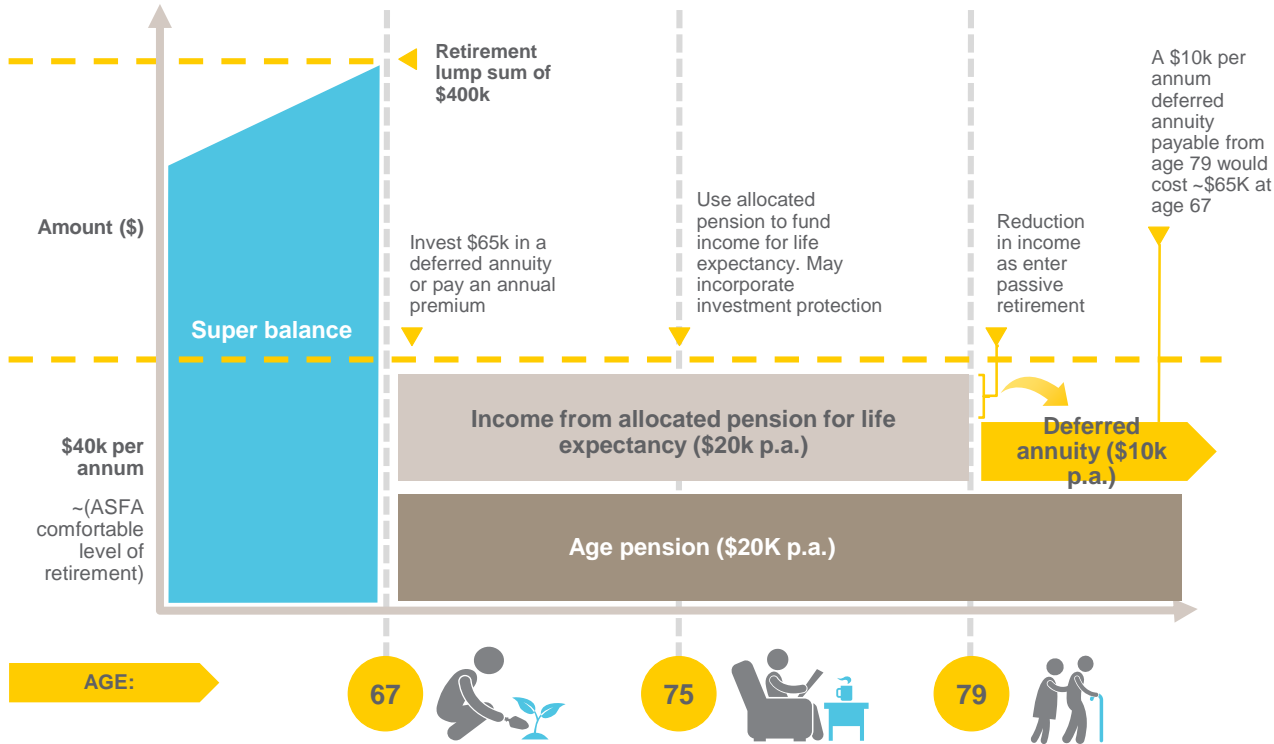
Deferred lifetime annuity payments



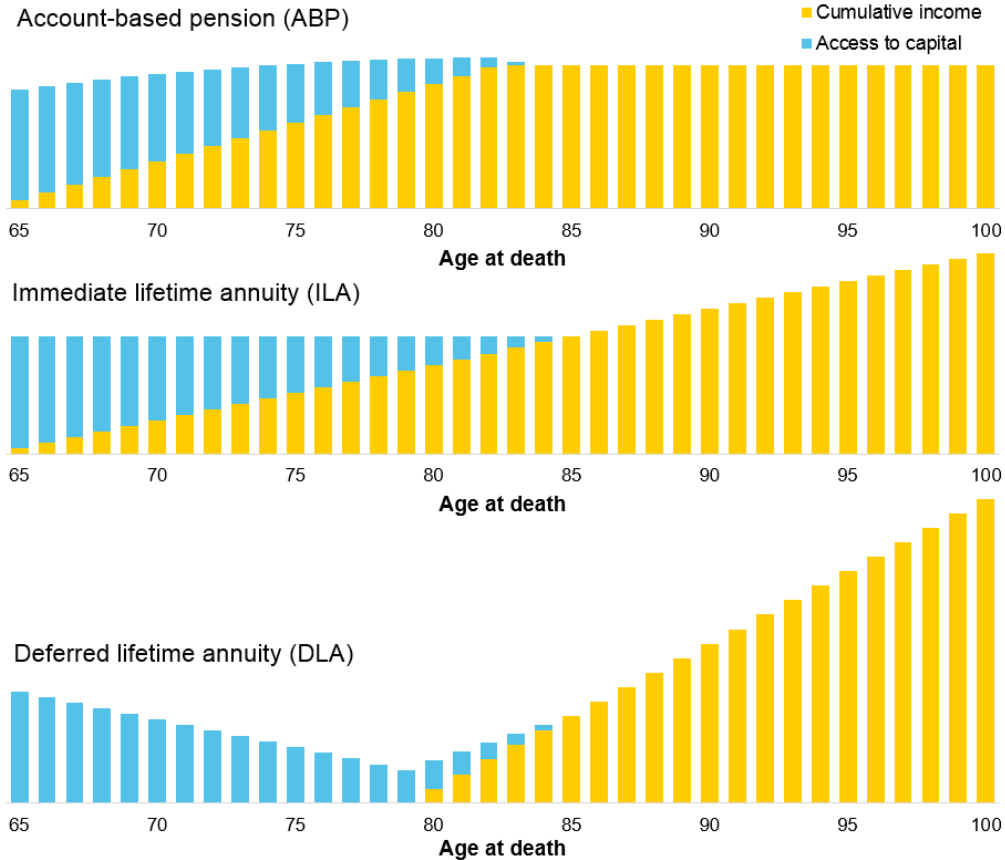
Considerations on retirement



Combining an allocated pension with annuities



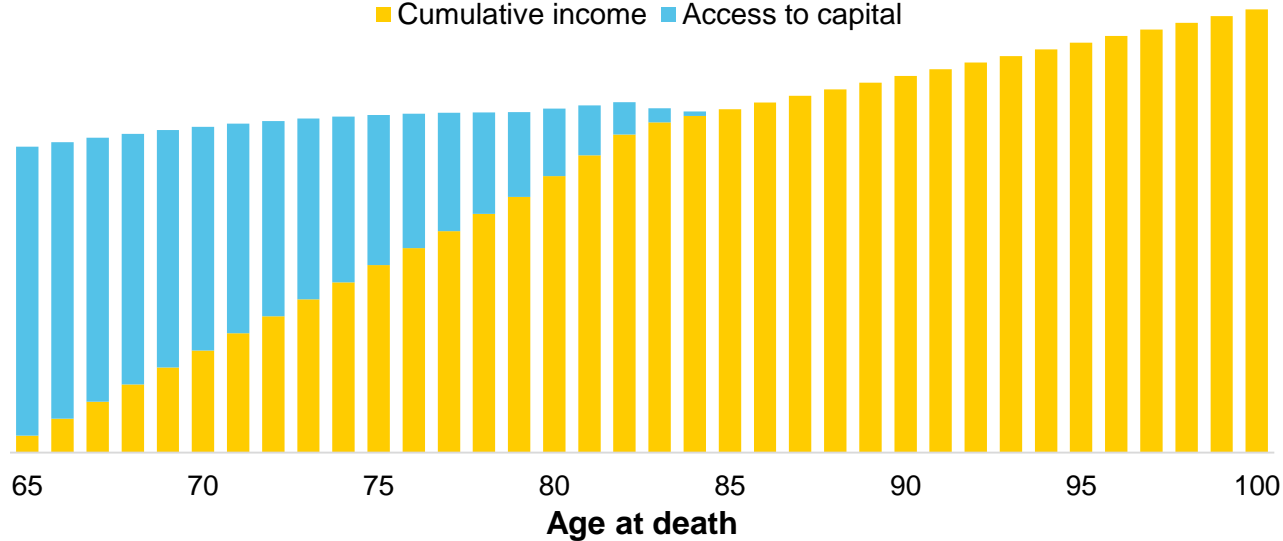
Total payments by age at death



Combining product solutions

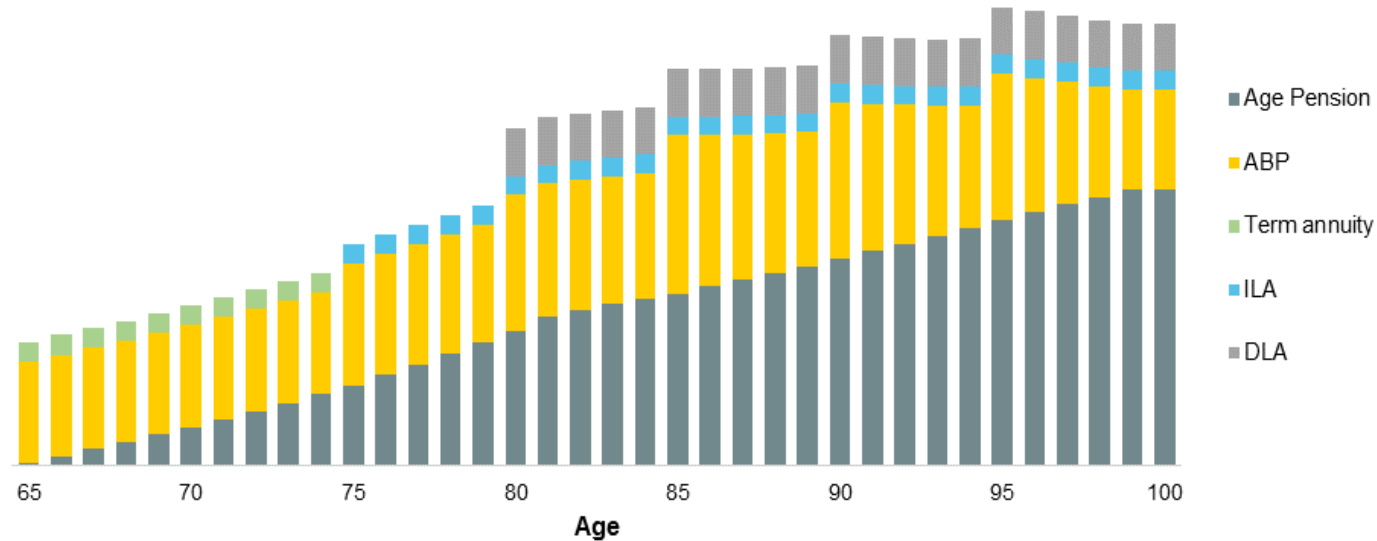
70% ABP + 20% ILA + 10% DLA

■ Cumulative income ■ Access to capital



More complex strategies

Age Pension, Account Based Pension, Annuities



CIPRs - Deferred Income Streams

- **Retirement Income Covenant Position Paper**

3. Definition of a Comprehensive Income Product for Retirement

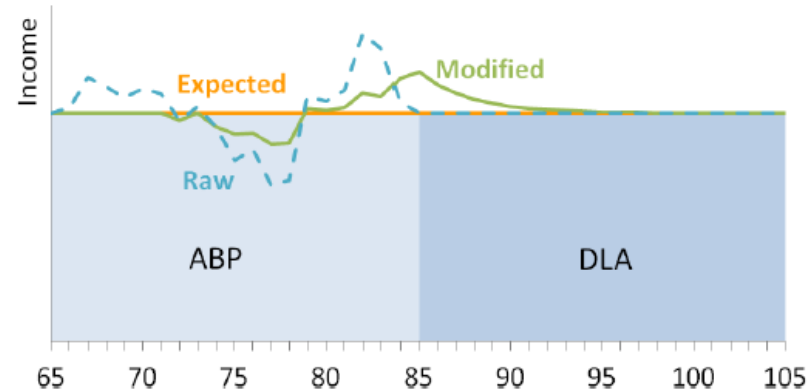
A CIPR is a retirement income product which is designed to provide:

- efficient, broadly constant income, in expectation;
- longevity risk management (income for life); and
- some access to capital.

A 100 per cent allocation to an ABP alone would not meet the definition of a CIPR.

CIPRs - Deferred Income Streams

- **Expected income should be efficient and broadly consistent**
 - It is expected (at outset) that income will remain in a narrow band
 - Eg +/- 2.5% variation from first year income
 - Actual income may not be broadly constant in practice
 - No guarantee required.
 - Eg ABP / DLA combo is acceptable
 - Trustees discretion about Age Pension





CIPRs - Deferred Income Streams

- **Provide income for Life**
 - Longevity component – not just life expectancy
 - Even if live to 105
 - range of pooled lifetime products
 - Either immediate or deferred
 - Group Self Annuitisation or Guaranteed Lifetime Annuity
 - Expected allocation to pooled product 15-20%.



CIPRs - Deferred Income Streams

- **Flexibility to access to capital**
 - Most common way to provide access is to incorporate Account Based Pension
 - Trustee Discretion



CIPRs – Some Reflections

- Deferred v immediate considerations
 - Modelling outcomes / impact of DSS rules
 - Pricing inc cost of capital for different parts of longevity spectrum
 - Funds desire to keep assets
 - Access to capital in early years v later years.
 - Complexity in communication
 - Insurance v investment lens
 - Perception of Value
 - Operational impact

CIPRs – Some Reflections

- Volumes
 - new retirement money each year : Approx \$60bn (FY17)
\$230bn (FY30) [Deloitte]
 - Currently <1.5% pa in long term longevity products
 - Increasing to say 17.5% - means approx \$200bn in liabilities
in 10 years time
 - Some context – current life insurance sector liabilities
<\$100bn (non unit linked)

CIPRs – Some Reflection

- Deferred GSA – actuarial control is likely to be required
 - Similar to Participating Policies in Life Cos / Friendly Society
 - Key tasks
 - Monitoring / reporting/ solvency
 - Equity / discretions / allocations
 - Policyholder Reasonable Expectations
 - Appointed Actuary / FCR