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Sustainable Retirement Solutions

Jenny Richards, Punter Southall
Marcus Hurd, Xerox HR Services



Viable retirement solutions for the long-run:

Are there any sustainable retirement solutions out there?

Clacher, Hurd and Richards (2016 hopefully)



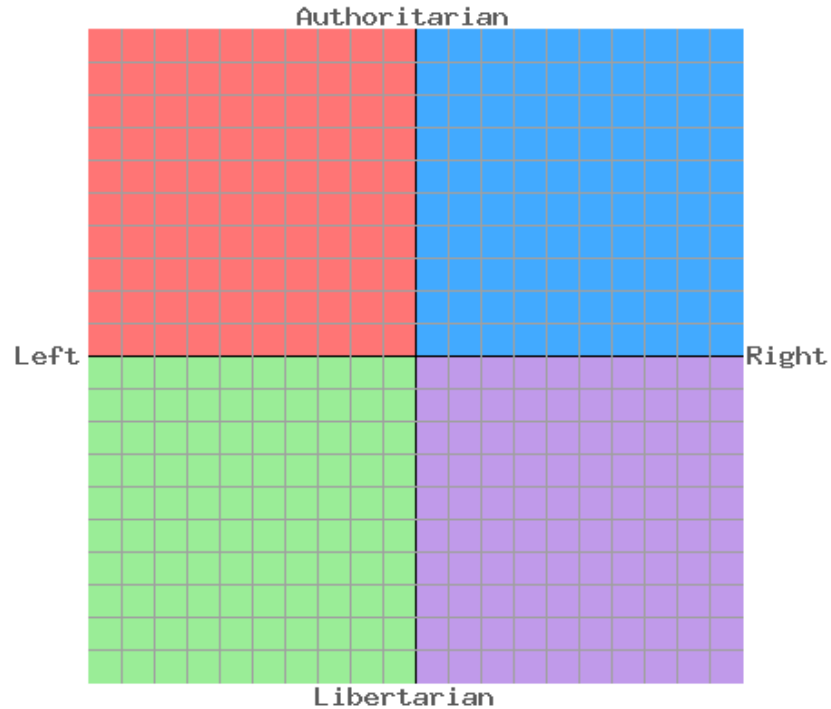
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Aims of a retirement solution

- Politically acceptable solution
- Maintain investment in the growth economy
- Reduce the potential burden on the State



Political compass



<http://www.politicalcompass.org>



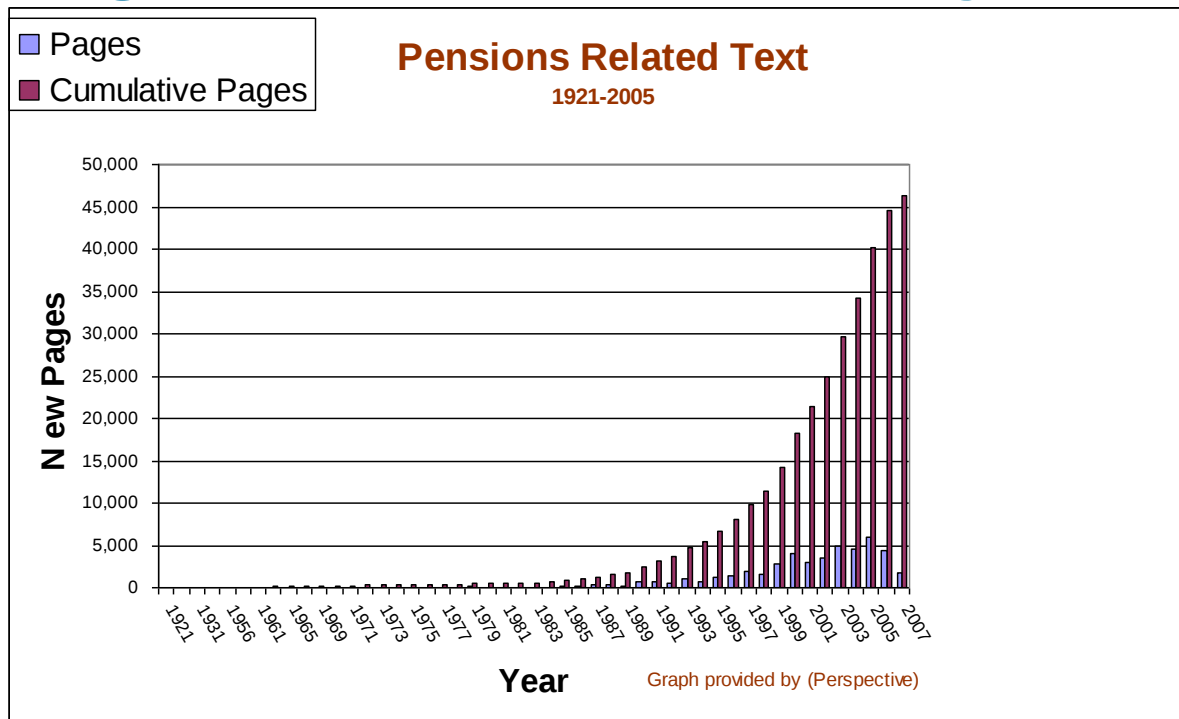
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The political economy

- From the Keynesian State to neo-liberal free markets
- Collectivism versus individualism
- Regulation – the panacea for the failure of the free-markets
- Capitalism for pensioners and socialism for bankers



Tinkering to achieve sustainability



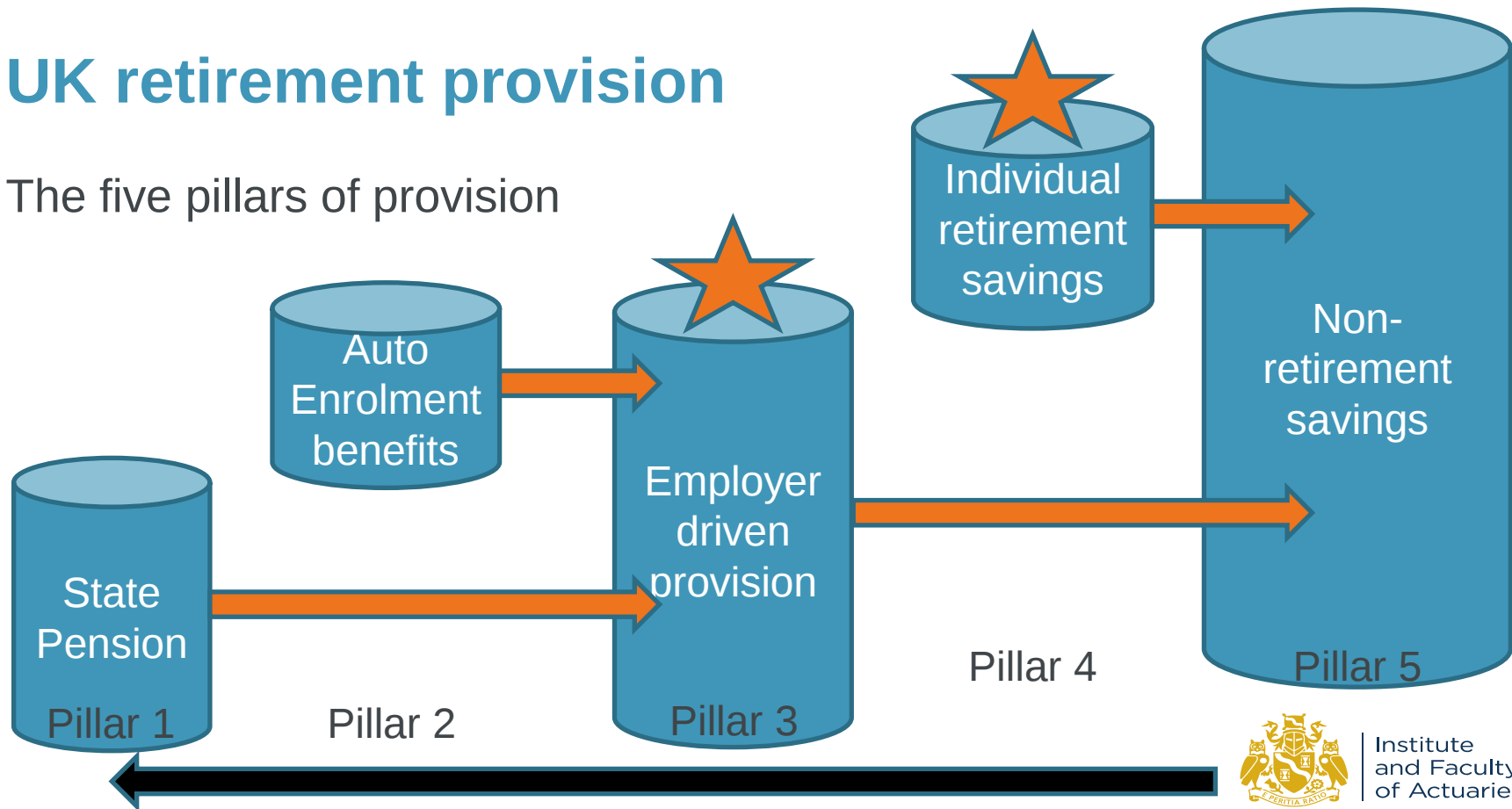
Source: Perspective (with thanks to Robin Ellison, Pinsent Masons)



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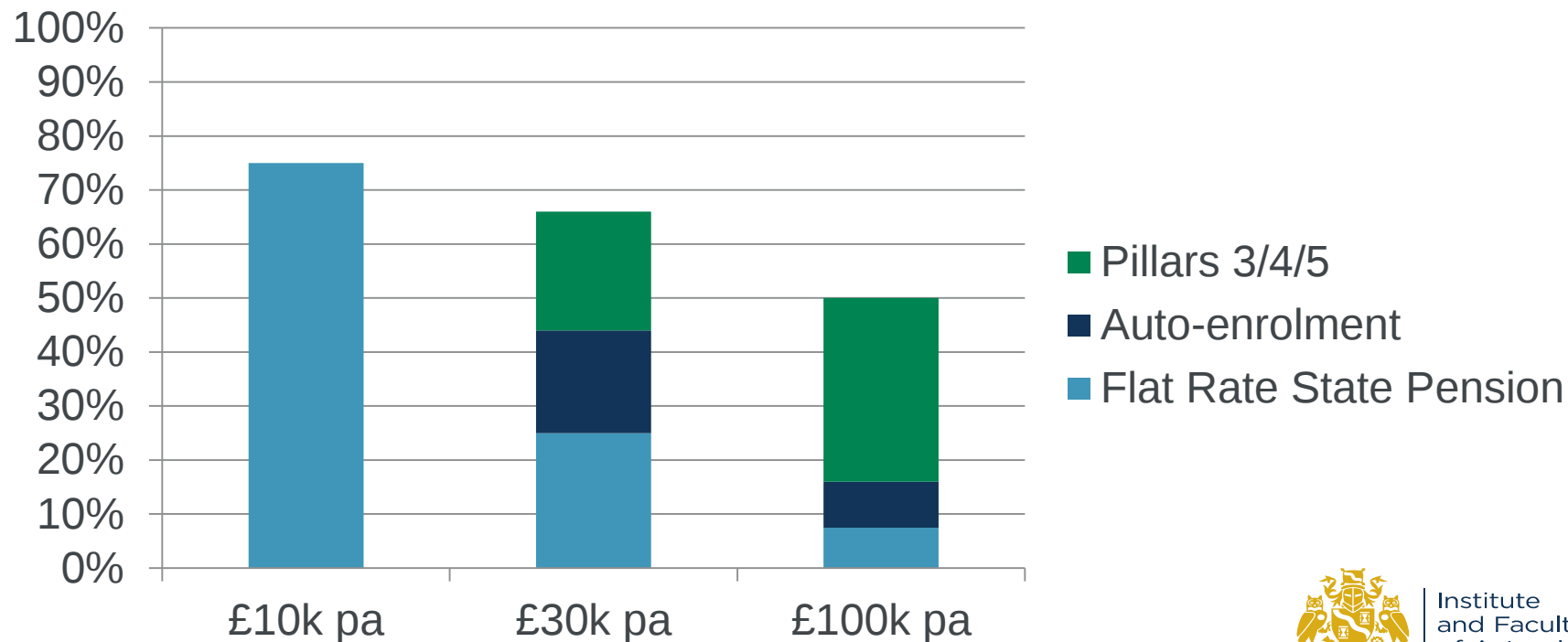
UK retirement provision

The five pillars of provision



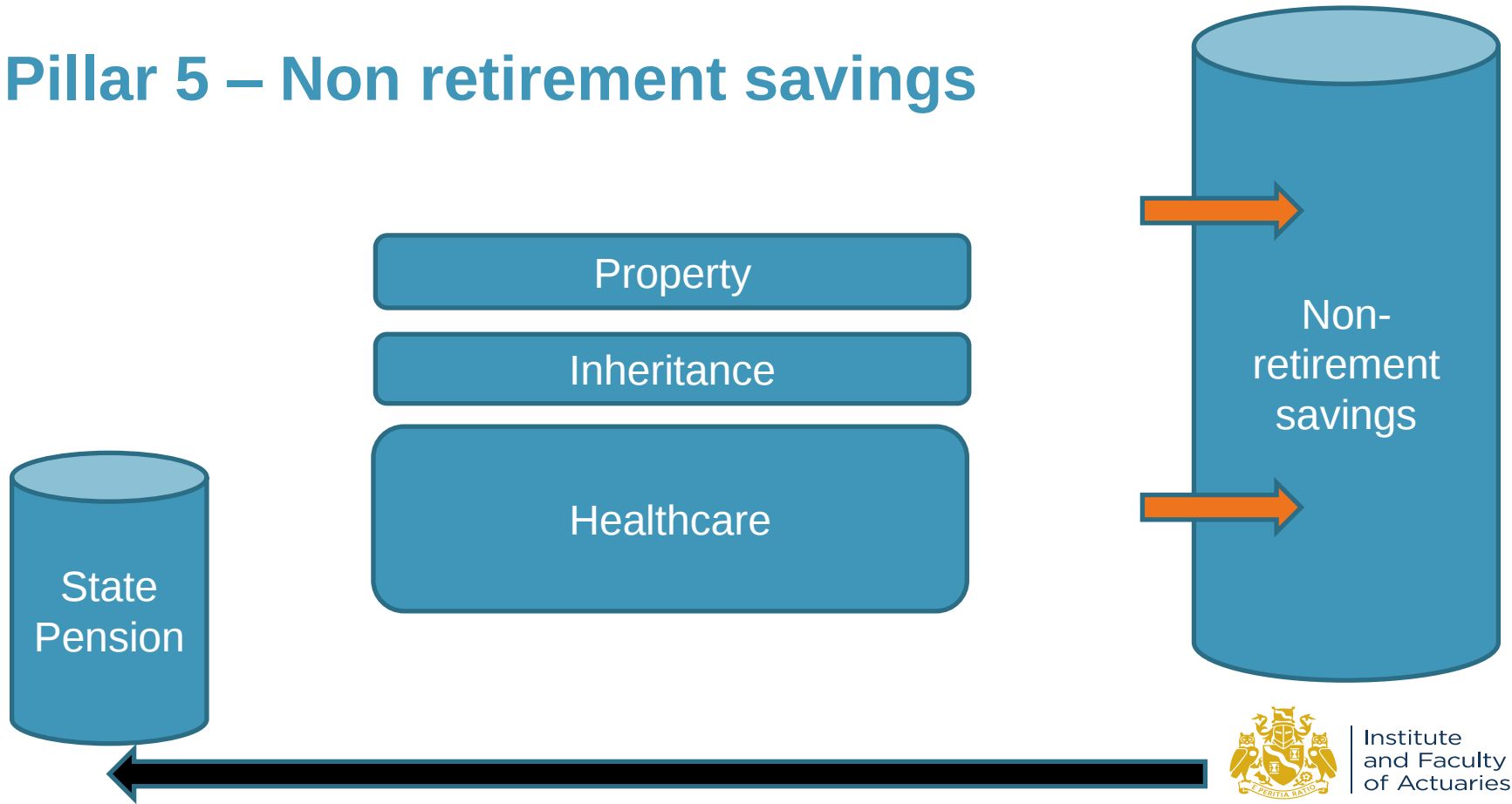
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UK retirement provision



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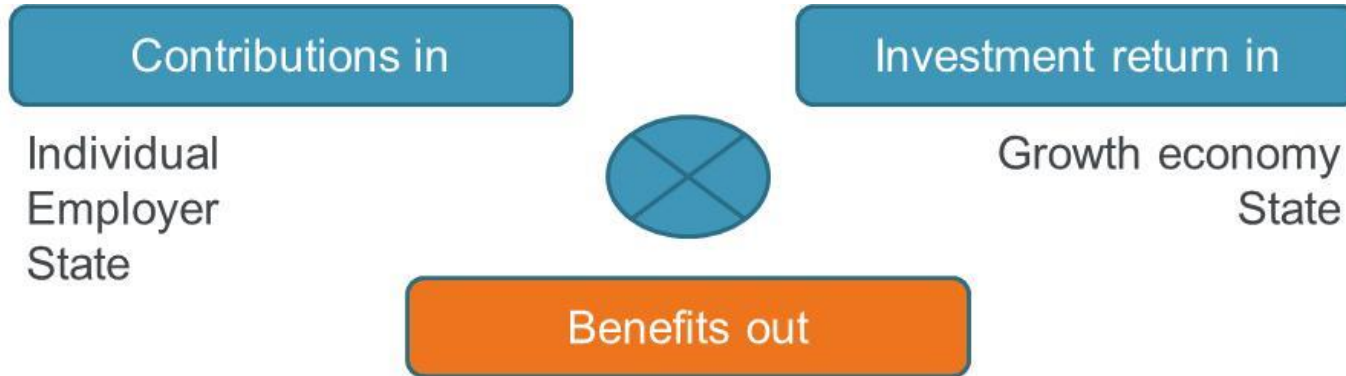
Pillar 5 – Non retirement savings



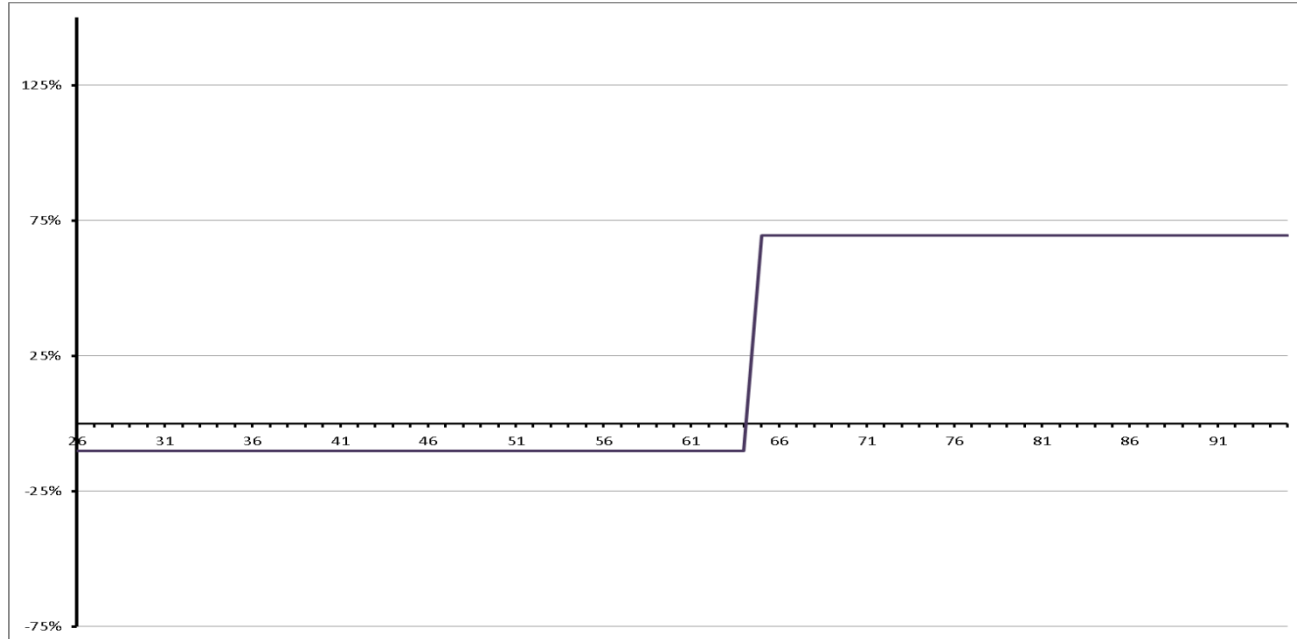
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Criteria for sustainability?

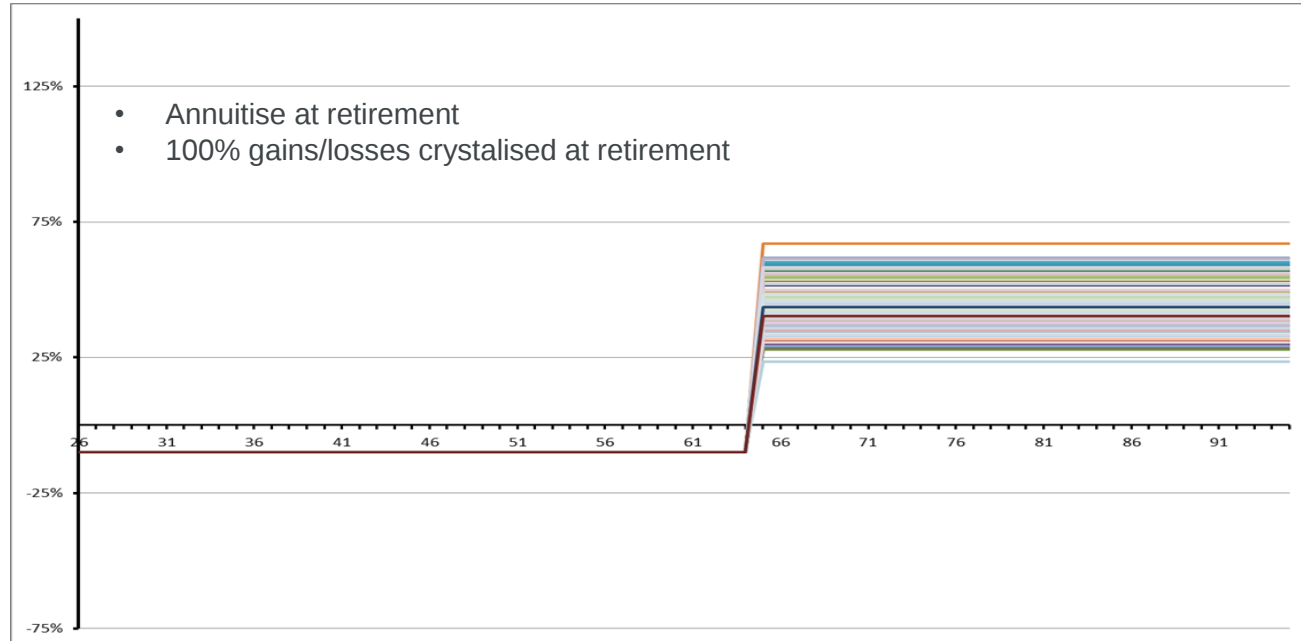
- Social – the only neighbour without a swimming pool
- Societal – standard of living in different geographies
- Risk pooling / smoothing



Net cashflows – complete market, ‘perfect’ world

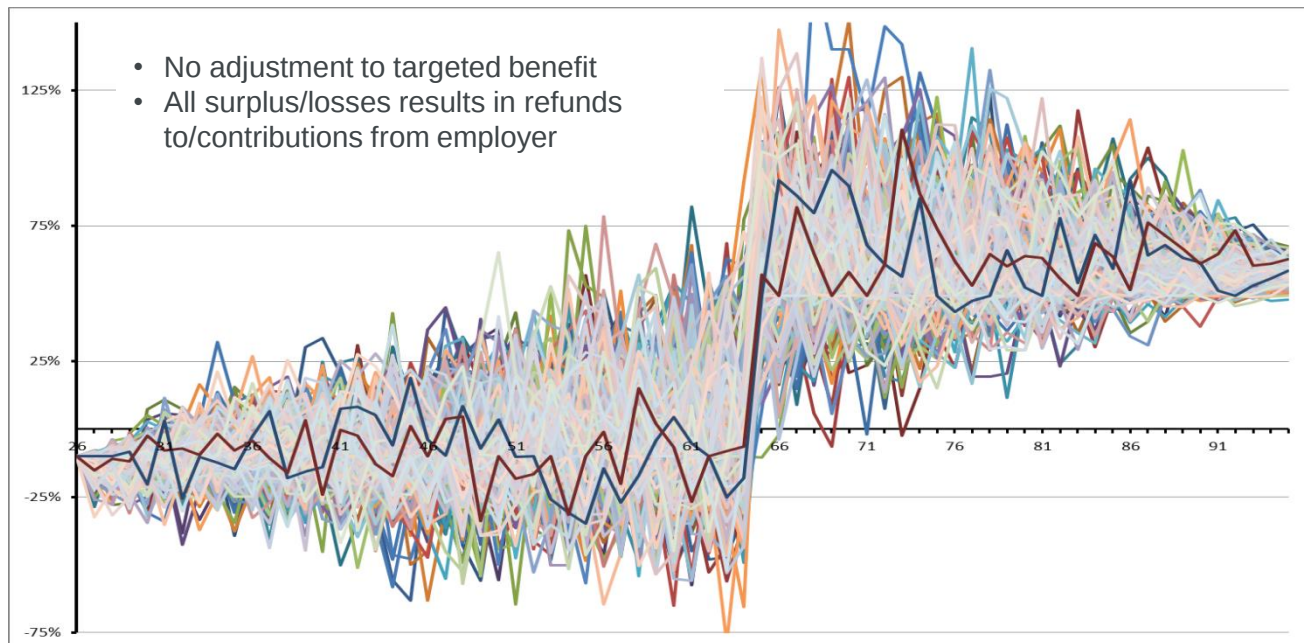


DC type vehicle – annuity purchase



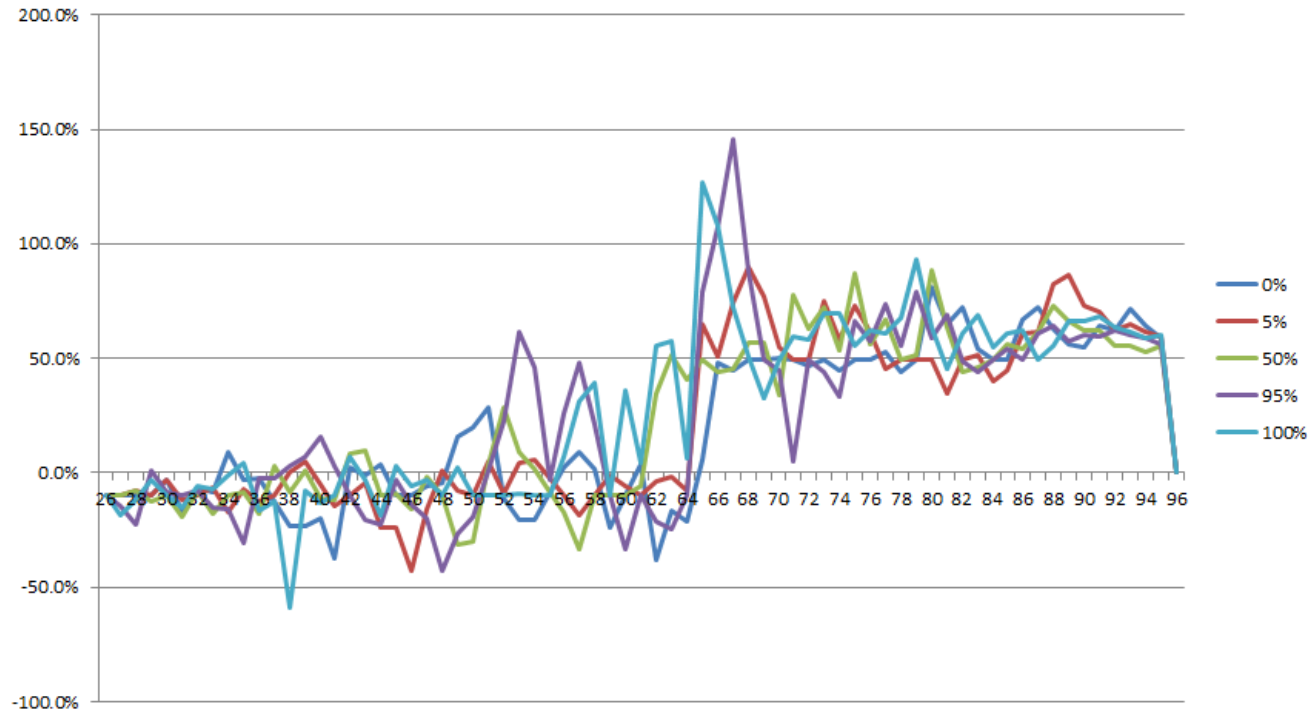
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DB type vehicle



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Failure scores



Results

		Low volatility environment		High volatility environment	
		Collective	Individual	Collective	Individual
Prudent funding basis	Adjust both benefits and contributions	26	20	139	123
	Adjust benefits	15	20	125	136
	Adjust contributions	304	296	605	591
Best estimate funding basis	Adjust both benefits and contributions	16	18	58	61
	Adjust benefits	11	15	95	100
	Adjust contributions	291	281	578	562

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Sustainable retirement solutions (1)

Role of actuaries

- Social change critical
- Financial education also critical
- Engagement from employers preferable
- Risk sharing mechanisms within DC/DB
 - Responsibility of the provider
 - Role of collectivism



Sustainable retirement solutions (2)

- Achieving macroeconomic goals (e.g. investment in growth)
- Reflect other economic needs at the time
- Sharing the wealth in a fair and proportionate way
- Free from political direction
- Monitor the State's ability to cross-subsidise and tax



Questions

Comments

Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

The views expressed in this presentation are those of the presenter.



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