

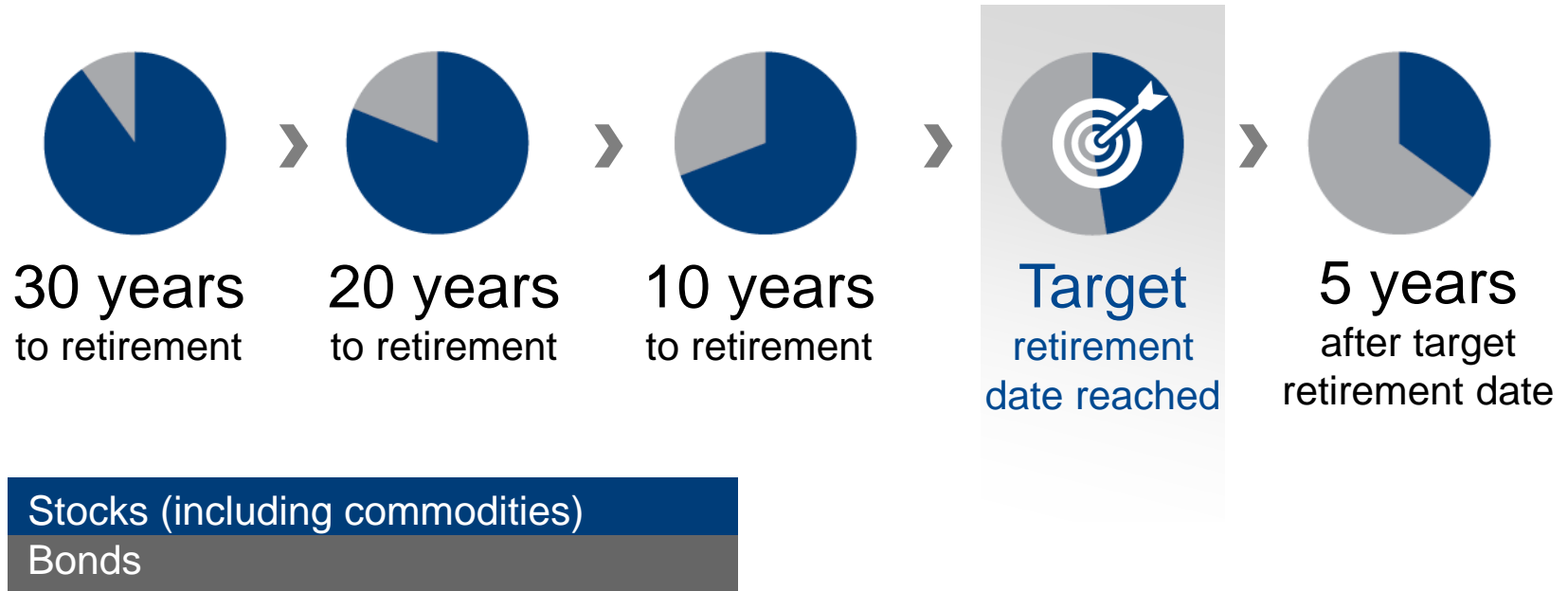
The Long and Short of It: Retirement in Flux

Kristi Mitchem, State Street Global Advisors



What is
the job to be done
for retirement?

The job to be done?



The job to be done?



The job to be done?



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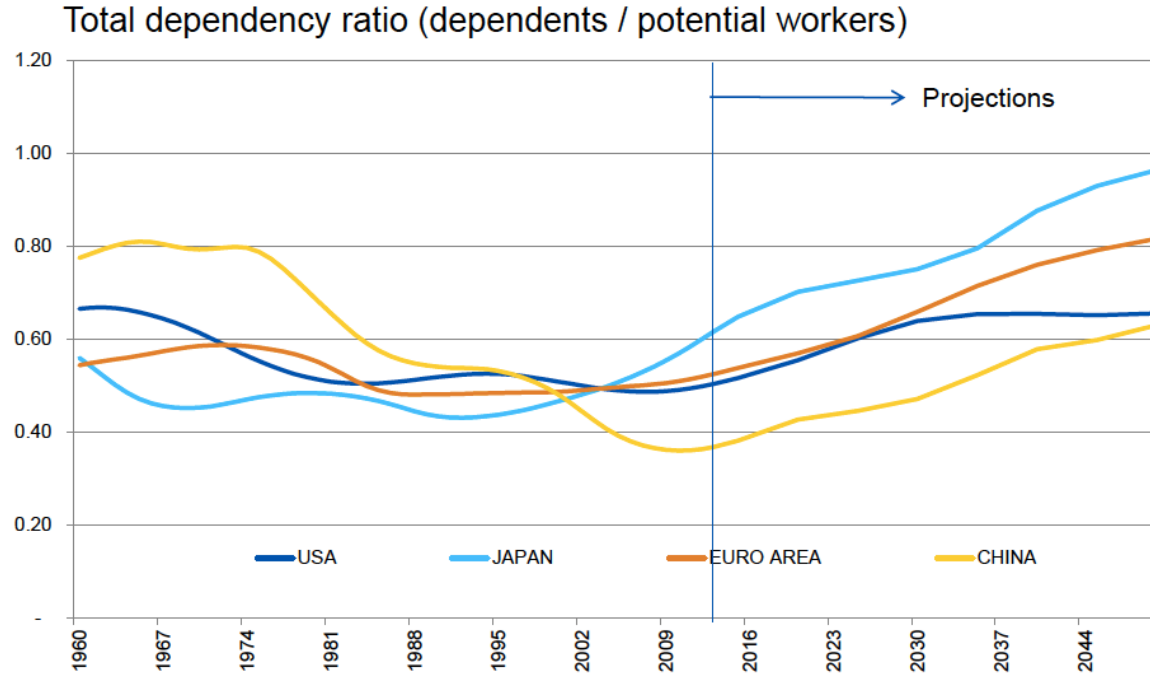
The job to be done?

Providing dignity as we age.

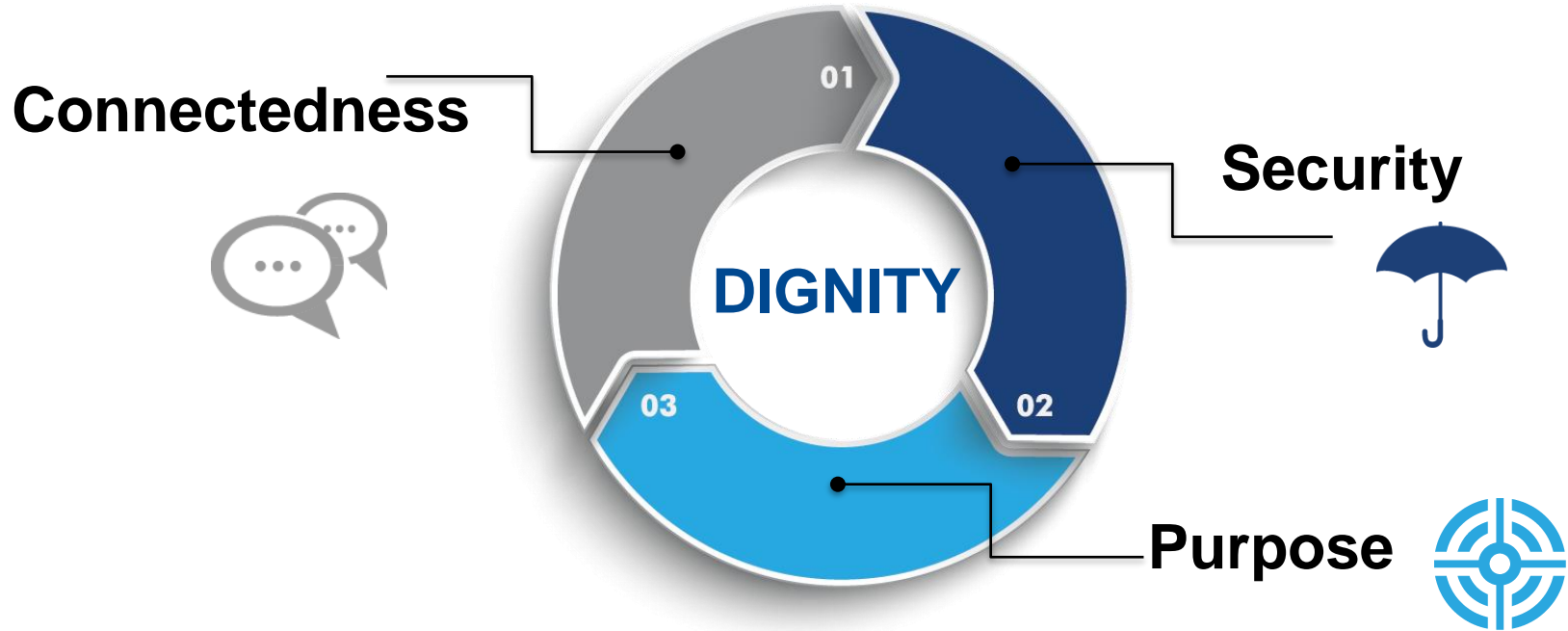


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Dependency and Dignity



What Creates Dignity?



How Do We Achieve Dignity?

Connectedness

POLICY
National identity

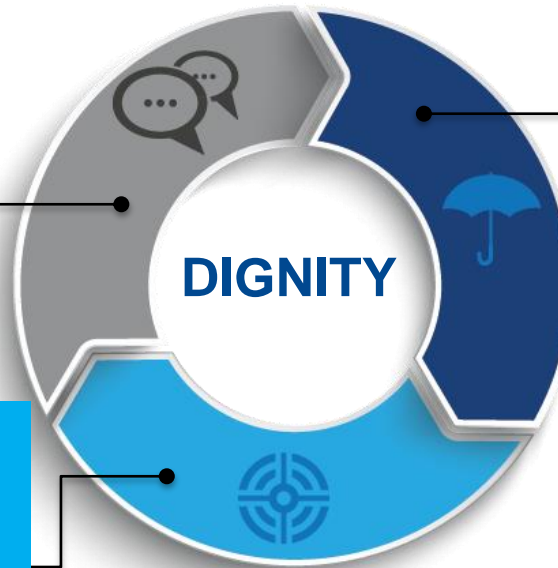
COMMUNITY
Churches, clubs

WORKPLACE
Work colleagues

POLICY
Societal member, voter

COMMUNITY
Volunteerism, neighbours, clubs

WORKPLACE
Contribution, use of skills & knowledge



Security

POLICY
Social programs, support, i.e.,
healthcare, retirement, etc.

COMMUNITY
Relationships with family & friends

WORKPLACE
Financial security;
retirement / health plans

Purpose

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The Role of Corporations In Workforce-Centred Retirement Schemes

Accountability

“Being in the best position to do something”

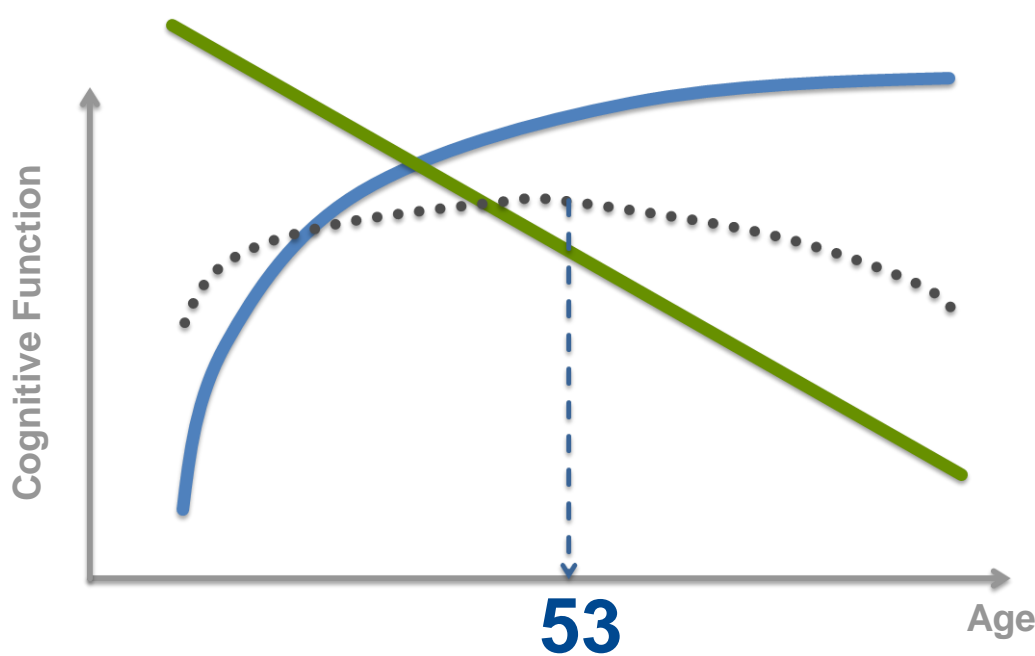
1. Workforce management
2. Retirement preparation

Responsibility

“Having degrees of ownership over the ultimate outcome”

1. Public policy advocacy
2. Support for community involvement

Workforce Management



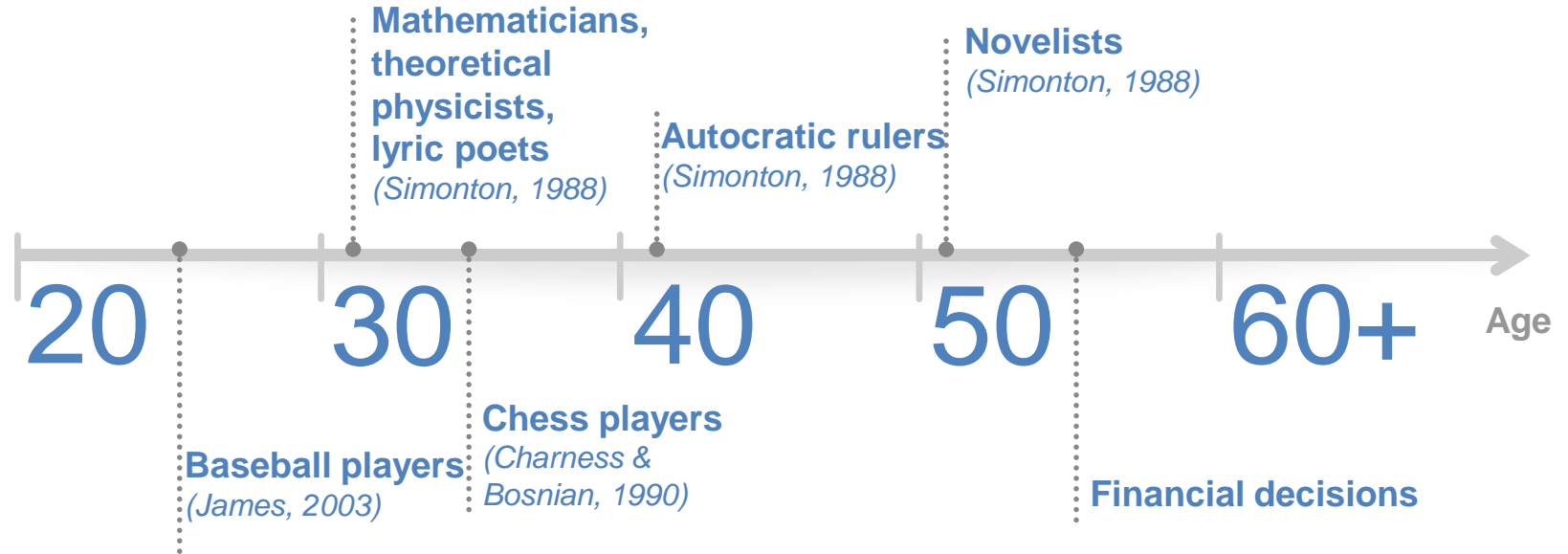
Crystallised Intelligence
(rises until the 60's)

Performance

Fluid Intelligence
(starts falling quickly at age 20)

Workforce Management

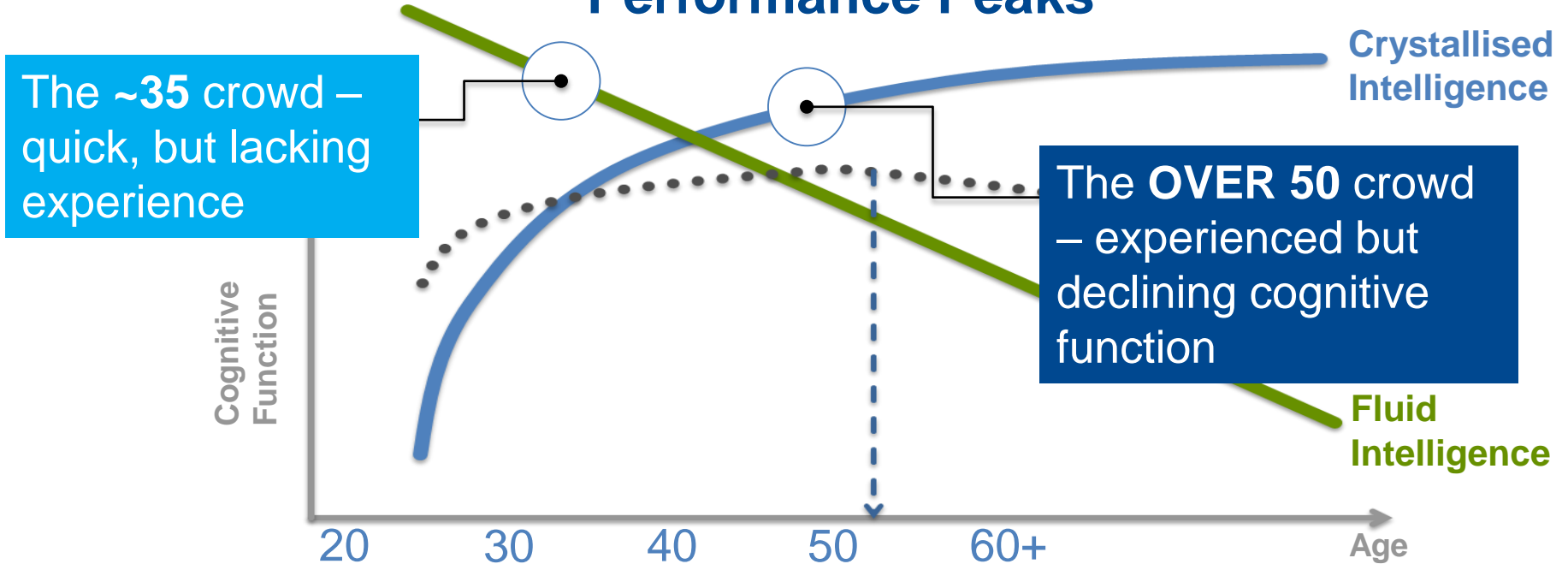
Performance Peaks



STATE STREET GLOBAL ADVISORS. Source: Laibson, Harvard University, "Behavioral Finance: Psychological Barriers to Optimal Investing", 14/05/2014 Presentation

Workforce Management

Performance Peaks



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Workforce Management

Cognitive Performance Over Lifecycle

Fluid Intelligence
*solving **new** problems*
(skills, knowledge, experience)

Tap into this group **up to 35**
with clear guidance
on how to problem solve

Crystallised Intelligence
*solving **familiar** problems*
(skills, knowledge, experience)

Tap into your **OVER 50**
crowd as they continue to
be a part of the workforce

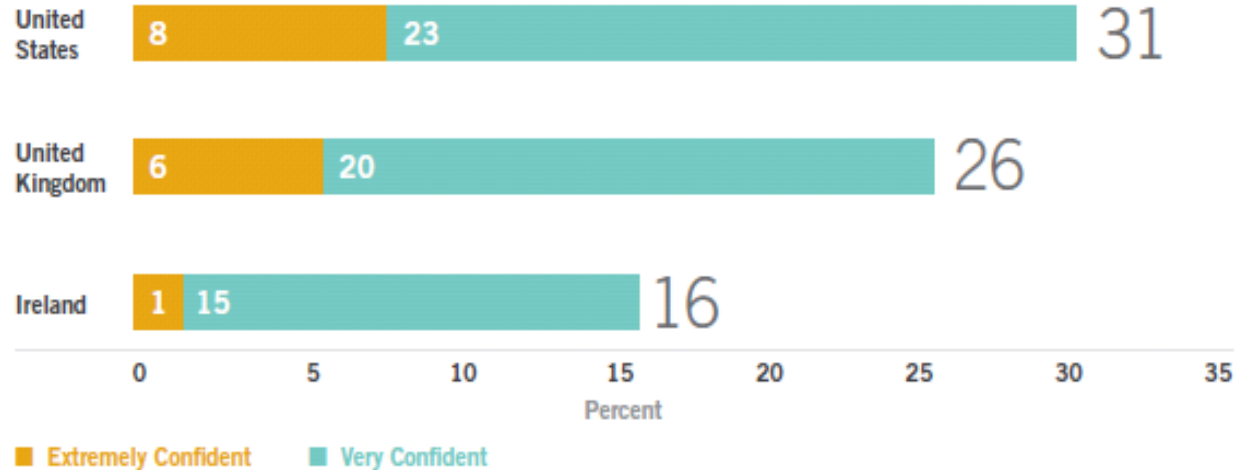
Retirement Preparation

73%

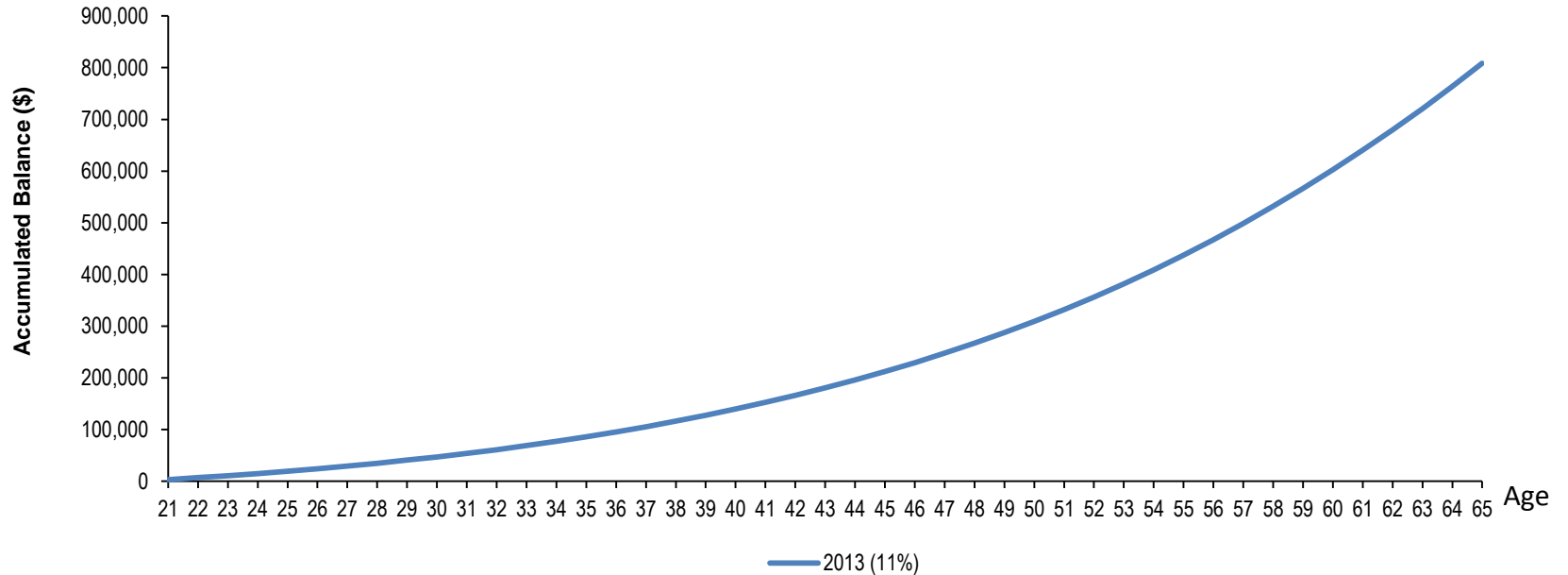
The percentage of middle-age (47-65) that say **financial situation, not age**, is now key indicator for when they plan to retire.

Retirement Preparation

Participants overall confidence they have enough saved through DC to pay for desired lifestyle



Dignity Starts Early



Dignity Requires Automation

What Happens if You Automatically Enroll Employees?

Auto enrollment 6% default

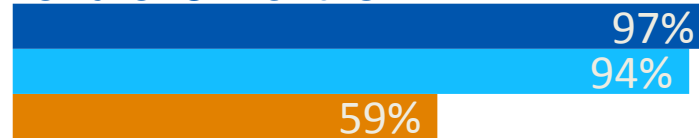
Auto enrollment 3% default

No auto enrollment

Participation Rates

0% 20% 40% 60% 80% 100%

Tenure: 3 months



Tenure: 12 months



Tenure: 24 months



Dignity Requires Automation

90%

At year-end 2012, 50% of FTSE 100 employers had begun auto-enrolling employees, with over 90% take-up rates. So far, only about 10% of enrollees have opted-out.

Dignity Requires Automation

How helpful would each of the following be in encouraging you to save and invest for retirement?

35% Receiving information that scares me

94% Having **small steps** that are easy to accomplish

62% Getting **constant reminders**

74% **Automatically** making me do something, but letting me opt out or make a different decision

84% Showing me how **people like me** are successful with savings and investments

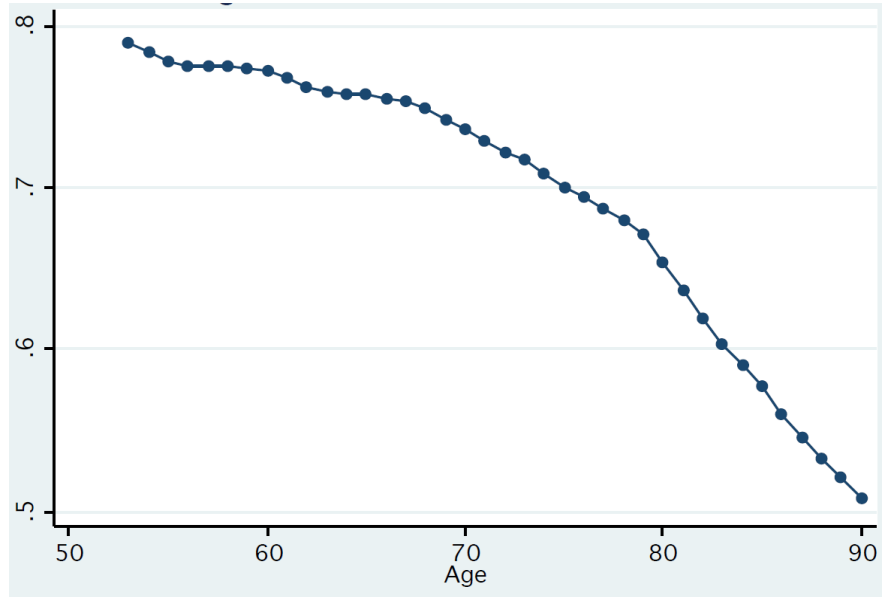
93% Giving me a **computer tool** that will guide me through the choices

Dignity Requires Pre-Decisions

~50%

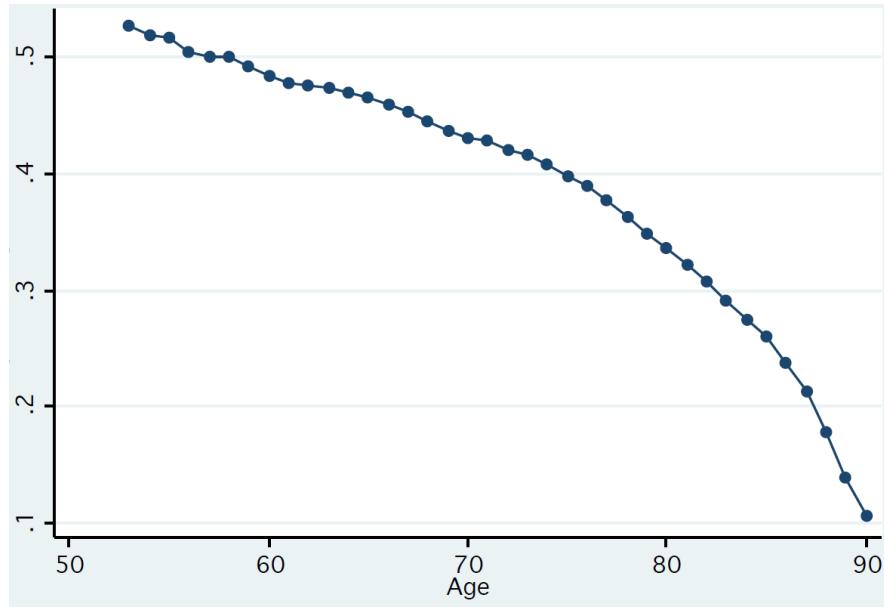
Approximate percentage of population in their 80s that suffers from **significant cognitive impairment**, effectively rendering them incapable of making important financial choices.

“If the chance of getting a disease is 10 percent, how many people out of 1,000 would be expected to get the disease?”



Fraction of
people who
answer
“100”

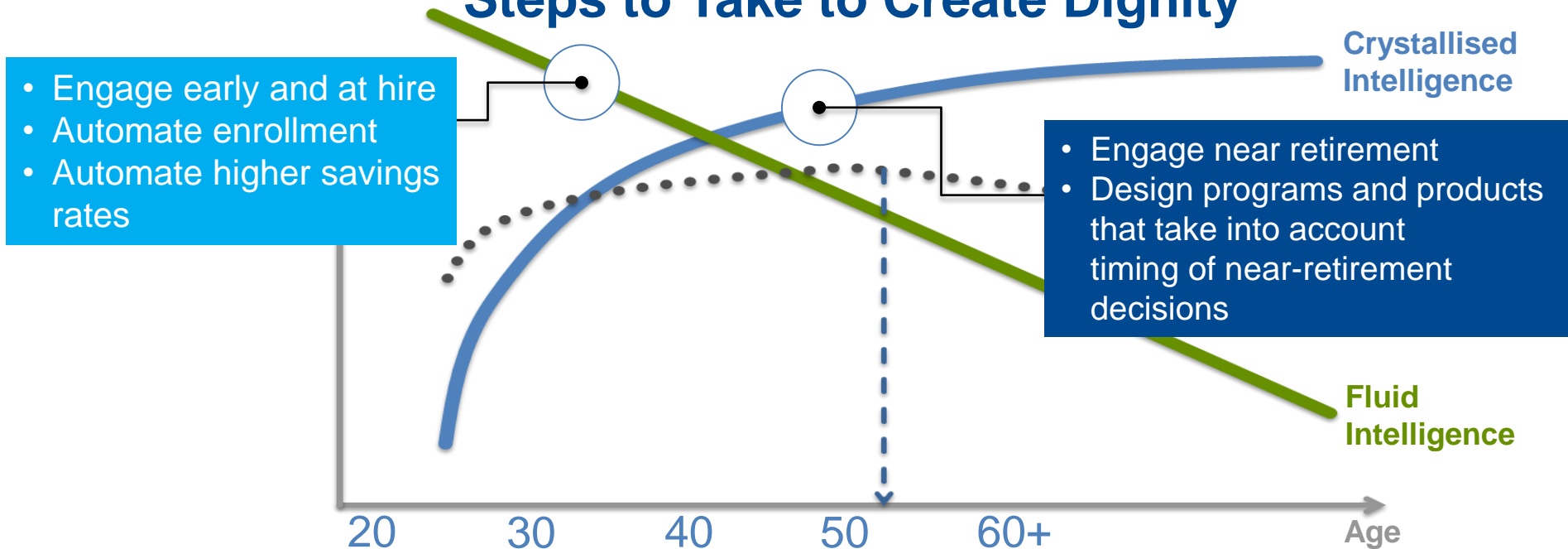
“If 5 people all have the winning numbers in the lottery and the prize is two million dollars, how much will each of them get?”



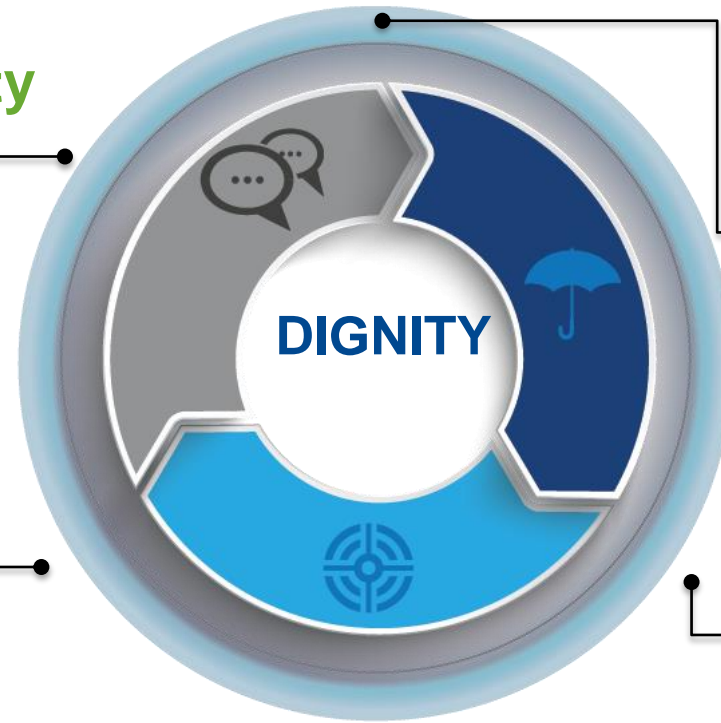
Fraction of
people who
answer
“400,000”

Workforce Management

Steps to Take to Create Dignity



Creating Dignity



Accountability

Accountability

Being in the best position to do something

Actor: Dependent on deliverable

Accountability

Responsibility

Having degrees of ownership over ultimate outcome

Actor: Everyone

Accountability

The Role of Corporations In Workforce-Centred Retirement Schemes

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Public Policy Advocacy

“ A national pensions policy is far from being the most popular dinner table topic but there is no getting around its importance for our future wellbeing.”

Aussie rules could guide Irish pension plan

A national pensions policy is far from being the most popular dinner table topic but there is no getting around its importance for our future wellbeing.

With growing longevity, about half the workforce not in a pension scheme, and a State pension that is not sustainable at current levels, failing to create a supplementary pension plan bought into by the majority of the population is a grim prospect.

Insurance Ireland, the sector lobby, held a workshop on the topic earlier this week and launched a report based on international best practice. Among authors was David Harris (pictured), a former Australian civil servant now living in the UK.

He recalled the current pensions system in Australia was introduced in the early 1990s in a deep recession, with 80 per cent of the population against a Government policy that would require them to put money aside when finances were already under huge pressure.

According to Harris, phasing the measure in, starting with small contribu-

tions and then growing them, was key, as was the decision to create individual accounts so that people could see their personal investments. The latter characteristic helped work against the notion that this was another tax.

When the Australian economy started to take off, courtesy of a minerals boom, a lot of wage negotiations led to increases in the contributions going into people's pension accounts. An effect of this was that it helped dampen inflation.

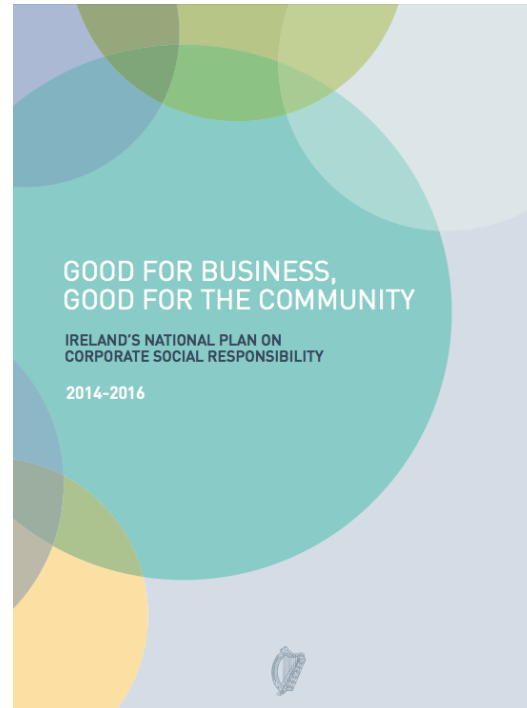
The measure is now hugely popular and is looked upon by Australians as one of the better public policy decisions of recent times. Among the visible benefits are huge infrastructural developments, such as harbours and roads, which are owned by the enormous sectional pension funds that have been created.

The question for our Government is whether it will start the implementation of such a system during its remaining period in office, or whether it will be left to 2016's election manifestos. We shall see.



Support for Community Involvement

“We recognise the value of sustainable business practices in boosting employment, fostering social cohesion and protecting the environment.”

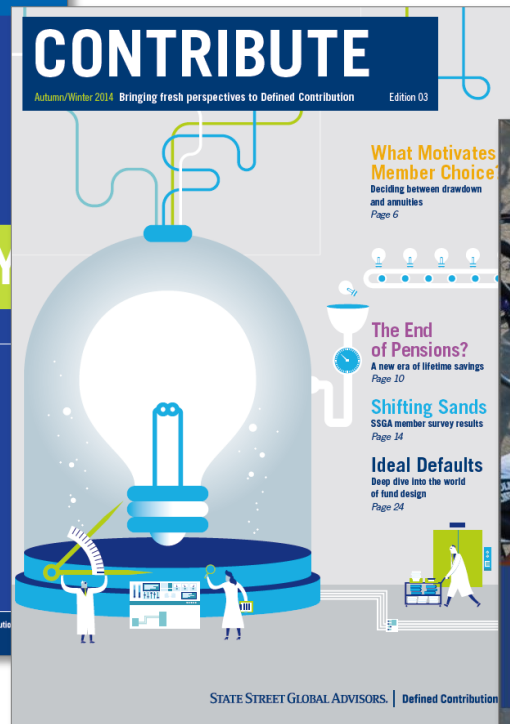


What is the job to be
done of a Target Date Fund?

Diversification or Financial Wellness

Our Job:

**To challenge the definition of
the job to be done.**



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IAPF Annual Conference: 22 October 2014

www.iapf.ie

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Bonds generally present less short-term risk and volatility than stocks, but contain interest rate risk (as interest rates rise bond values and yields usually fall); issuer default risk; issuer credit risk; liquidity risk; and inflation risk. These effects are usually pronounced for longer-term securities. Any fixed income security sold or redeemed prior to maturity may be subject to a substantial gain or loss.

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