

Post-retirement income

ARFs, annuities..& what else?

Mairéad O'Mahony, Mercer

What do retirees need?



What do we have?

Annuity



Poor value at
today's prices



Guaranteed
income for life



Simple design

What do we have?

Approved Retirement Fund



Target realistic
income level



Chance of
money running
out too soon



Potential for
sequencing risk

What have Irish retirees tended to do?

- Experience suggests retirees are focused on income generation and many view current annuity prices as bad value for money
- Those opting for annuity purchase generally do so to maximise Tax-Free Cash (1.5x final remuneration)
- Where they have the choice, majority of retirees select ARF

Valuing adequacy over sustainability ? (at least at current prices)

If interest rates rise will that change?

Maybe – most retirees favour a hands-off approach.

But then again, maybe not

2007 review of Irish annuity market indicated that demand came almost exclusively from DC retirees (compulsory annuity purchase)

Very low take-up of annuities in Australian market

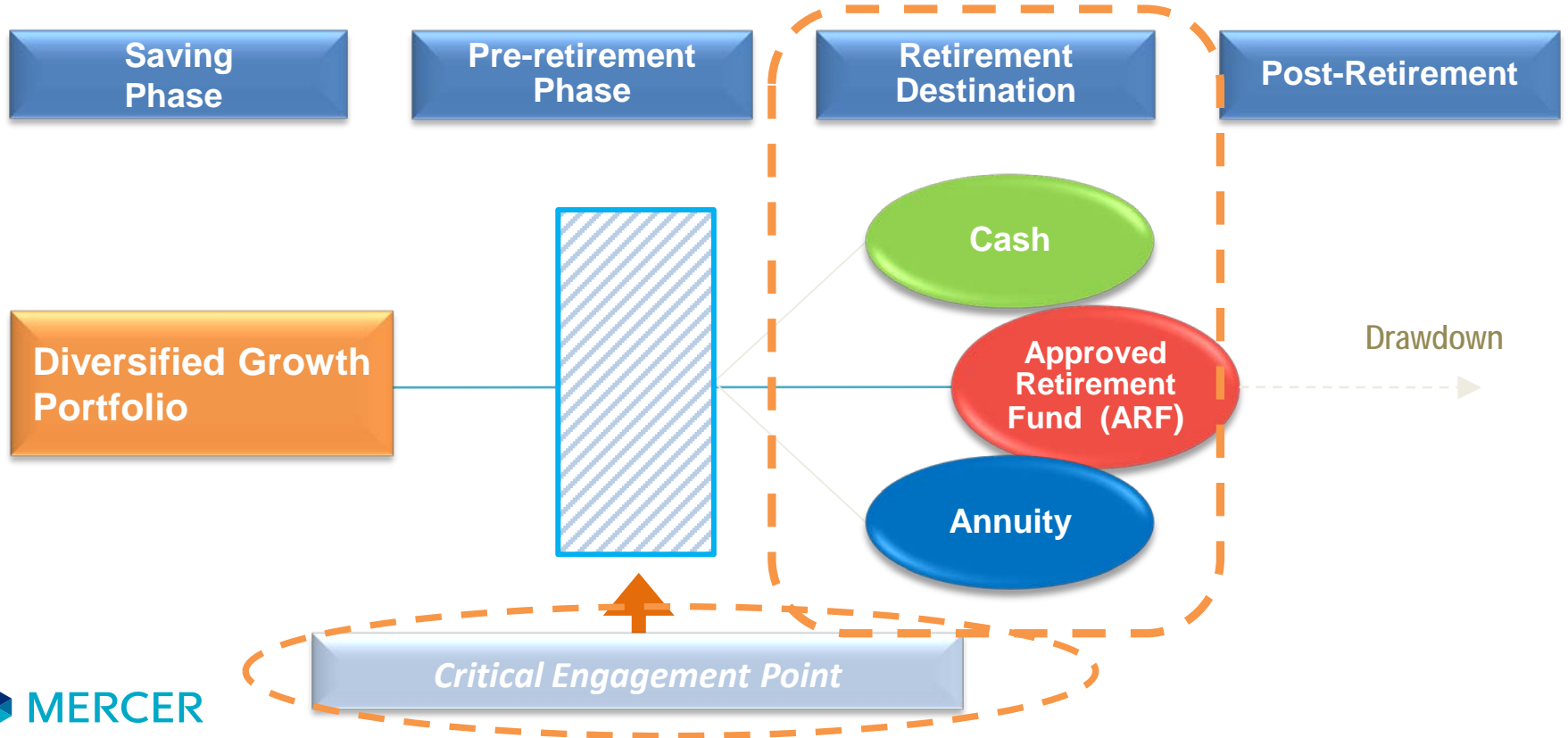
New research emerging from US market

Trustee role in planning for post-retirement phase?

1. **Provide information** to members on the retirement options open to them

2. **Design your default strategy** around the likely benefits to be taken

Trustee role in planning for post-retirement phase?



Industry's role – Ongoing innovation



Work to define
“target”
retirement
income



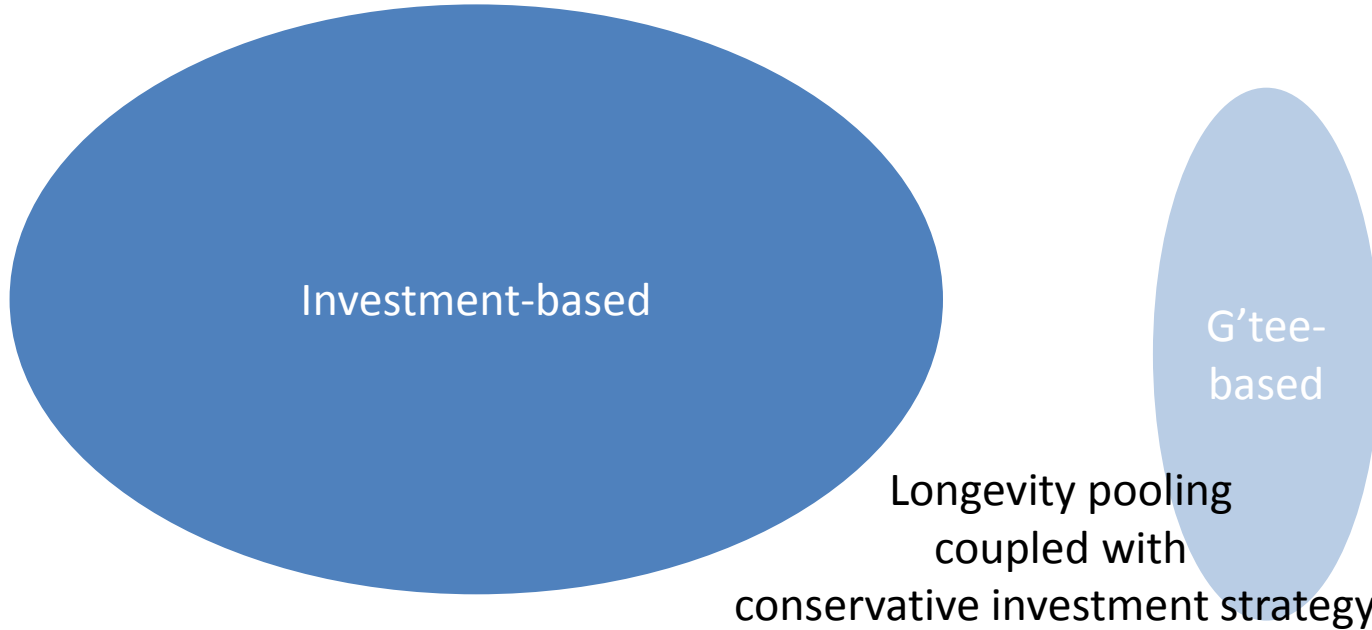
Find ways to
measure
probability of
ruin



Cater for
different
behavioural
needs of retirees

Case Study: Australia

Post-retirement products



A framework for future product development?

