

AIB GROUP DEFINED CONTRIBUTION SCHEME

New Default Lifestyle Options



Presentation to the IAPF Investment Conference 7th April 2016

What we hope to cover today

- Have a clear Goal
- Review of the existing Default Fund
- Analysis of membership
- Members have different Needs and required different Outcomes
- The new Lifestyle offering and how it works
- Communications
- Working in partnership
- Challenges and Lessons



Have a clear goal

Improve the outcomes for members



Review of the Existing Default Fund

- Existing Default Fund
 - Diversified Growth Fund
 - Lifestyles to Bonds over last 10 years
- Our review showed us
 - We're assuming members will buy an annuity
 - Dated view of Bonds being a de-risking strategy
 - We're not considering different needs of members

Analysis of membership

- Database review and analysis
- Established different cohorts
- Considered as much information as possible about the members including other AIB benefits
- Established reasonable assumptions about members and how they might use their DC fund



Needs and Outcomes

- Not all members have the same needs
 - Some have significant legacy DB benefits
 - Some are pure DC
 - Mix of long and short service
 - Range of salaries and careers

Needs and Outcomes

- Different Needs require different Outcomes
 - Some may use all of their fund for Cash
 - Some may purchase an annuity with part of their fund
 - Some may purchase an ARF with part of their fund
- Resulting in three new default options
 - Cash Ready
 - Cash and Annuity Ready
 - Cash and ARF Ready

How the new Lifestyle works

- Reviews each members annually
 - Projects DC benefits and considers retained DB
 - Determines likely use of DC fund at retirement
 - Selects one of the Lifestyle strategies
- Investment moves
 - Start 7 years from retirement
 - Quarterly moves
 - Moves from the DGF to one of the three targets
 - Cash
 - Cash + Bonds
 - Cash + DGF

What if I don't like what I see

- Lifestyle vs Freestyle

- Option through the website to select Freestyle or Lifestyle
- Freestyle options
 - 100% Equity Fund
 - DGF
 - Bond Fund
 - Cash Fund

- Can I choose a different Lifestyle Option?

- Yes, a member can select one of the other Lifestyle options if they wish
 - Cash Ready
 - Cash and Annuity Ready
 - Cash and ARF Ready



Communications

- Launch
 - Generic for everyone
 - Leaflet
 - Letter
 - emails
 - Helpline
 - Intranet and Website
 - Plus personalised if within 10 years from retirement
 - Personalised letter
 - Group sessions
 - Plus IFA if within 3 years from retirement at cutover
 - 30 min phone one to one with IFA



Communications

- Ongoing
 - Invite members to Group sessions when 7 years from retirement
 - Provide additional educational material during the last 7 years
 - Annual benefit statements show how member is being or will be Lifestyled
 - IFA to help with retirement option support pre-retirement



Working in Partnership for the members

- The Trustees
- The Company
- The Administrator – Aon Hewitt
- The Investment Consultant – Acuvest
- The Investment Manager - SSgA

Challenges and Lessons

- Challenges

- Members don't like complicated
- The level of detailed work is substantial but we then have to work hard to make this simple for members
- How to get attention in a crowded world

- Lessons

- Set clear goals, ours was
 - Improve the outcomes for members
- Work with good partners
- Allow time to get it right
- Record decision path and communications
- Work hard on the communications and listen to the members
- Don't get lost in detail – keep it simple



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Thank You

Thank you for listening I hope you found it
interesting

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