



Shaping the Retirement Income
Industry – *A Private Sector Approach*



THE UNIVERSITY
OF AUCKLAND

BUSINESS SCHOOL

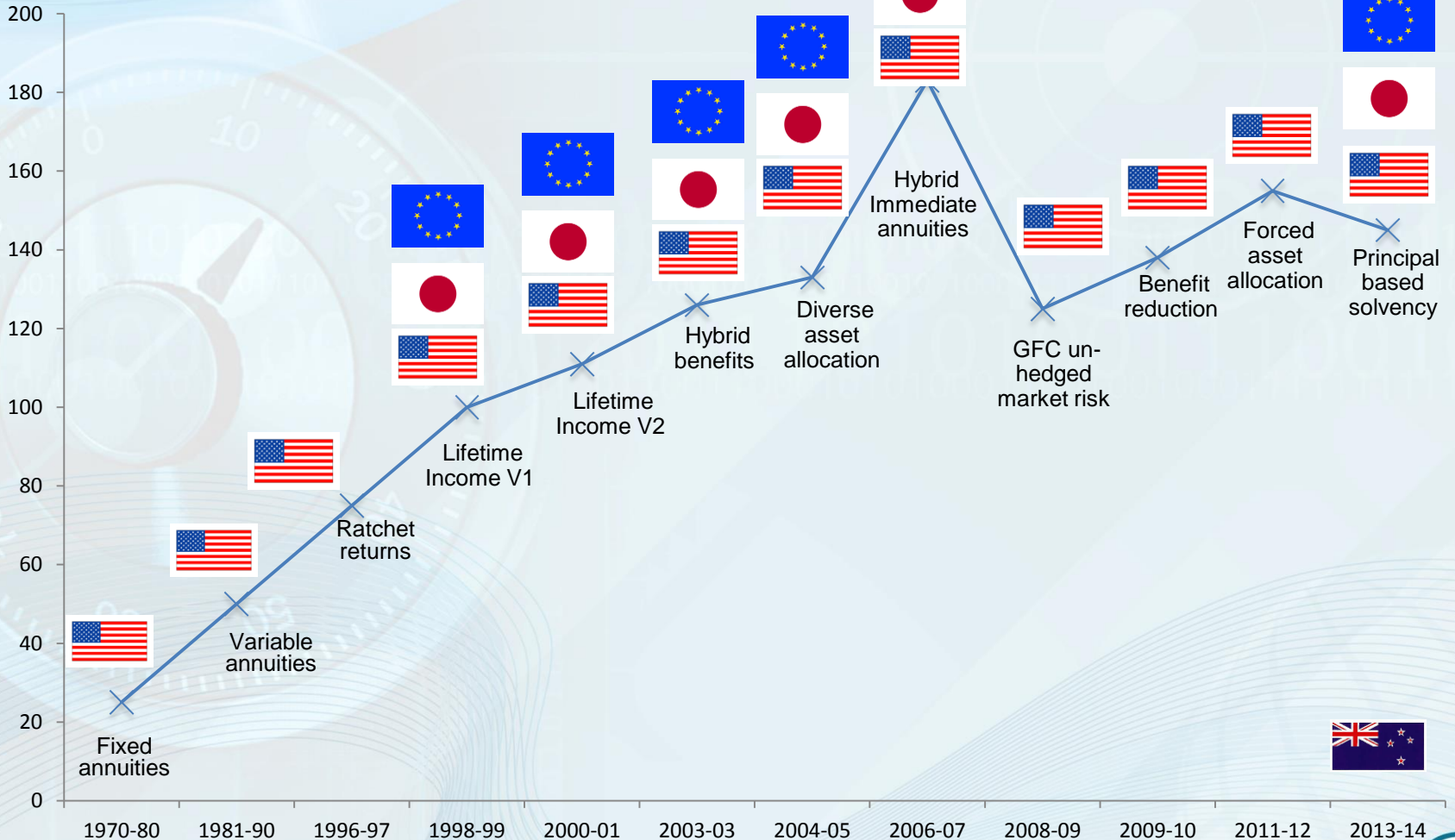
21 November 2014

- Outliving retirement savings
- Losing control
- Lack of flexibility
- Uncertain income levels
- Low returns
- Trust and confidence



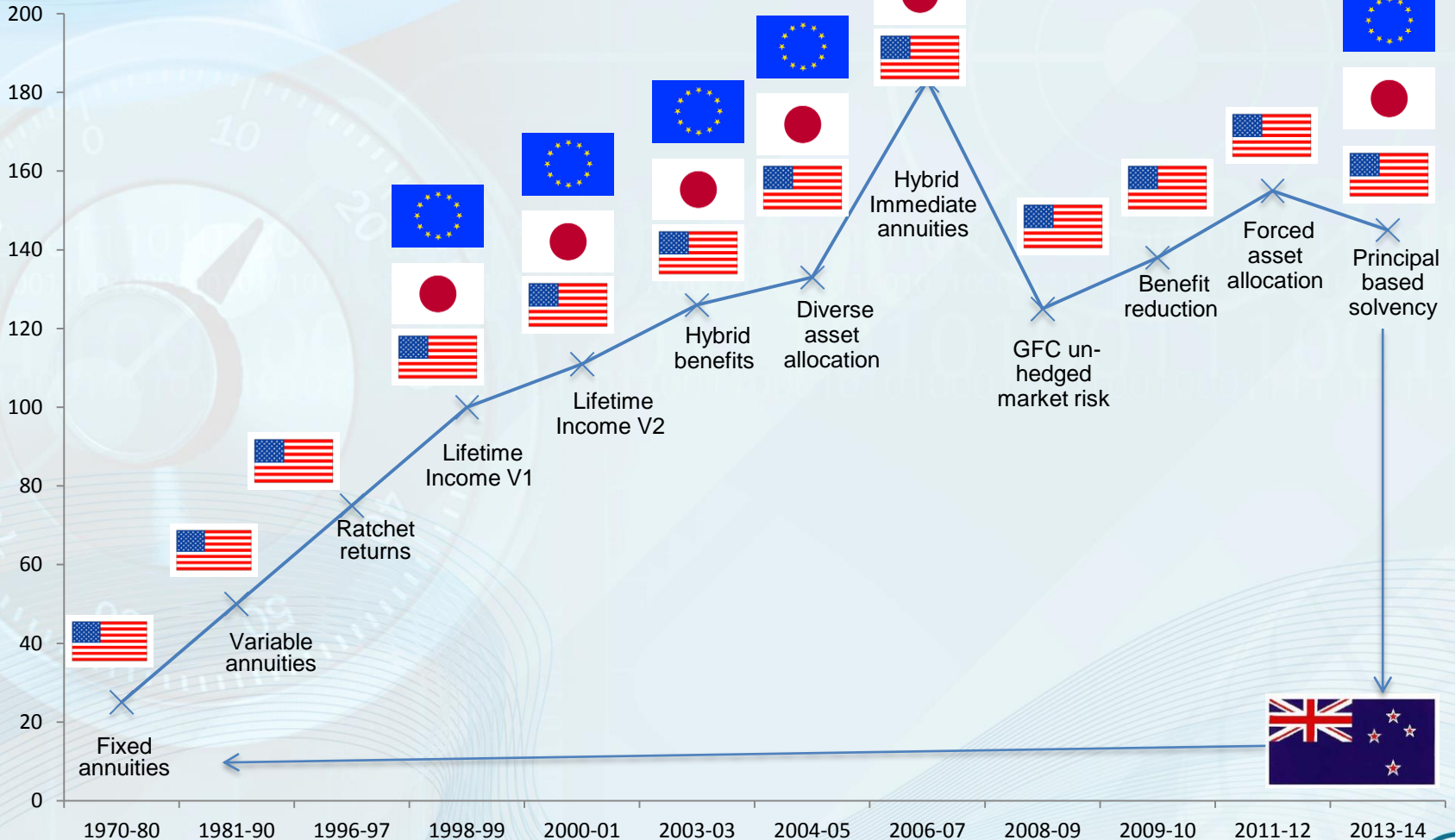
SHIFT IN EMPHASIS TO “DE-ACCUMULATION”

US Variable Annuity Total Sales US\$B (Morningstar Inc.)



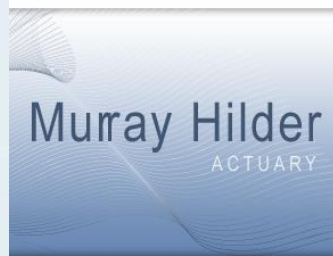
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US Variable Annuity Total Sales US\$B (Morningstar Inc.)



CONFIDENTIAL

WHERE IS THE EXPERIENCE AND KNOWLEDGE?



OLIVERSHAW



FAILED ANNUITIES

- Tax inefficient
- No liquidity
- Low returns
- No flexibility
- Expensive
- High withdrawal costs
- Poor profitability

LIFETIME INCOME

- Binding ruling
- Liquidity
- Growth assets
- Capital withdrawals
- $< 1\% + < 1.4\%$
- Nil
- Mid 30's IRR

RISK

- Capital Markets Risk..
- Basis Risk..
- Longevity Risk..
- Behavioral Risk..
- Complexity Risk..
- Commercial Risk..

RISK MANAGEMENT

Forced asset allocation

50/50 + ETF future equivalents

20% of best estimate + 2%

Product rules

GLWB at 65 deferral to 85 ratchet

Economic solvency

New Zealand Income Guarantee Ltd

Capital Management, Solvency Management

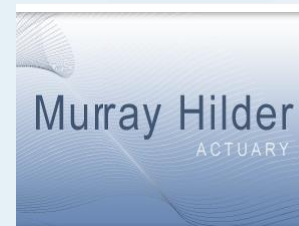
100%

100%

Lifetime Asset Management Ltd
(Promoter / Issuer, Investment Manager)

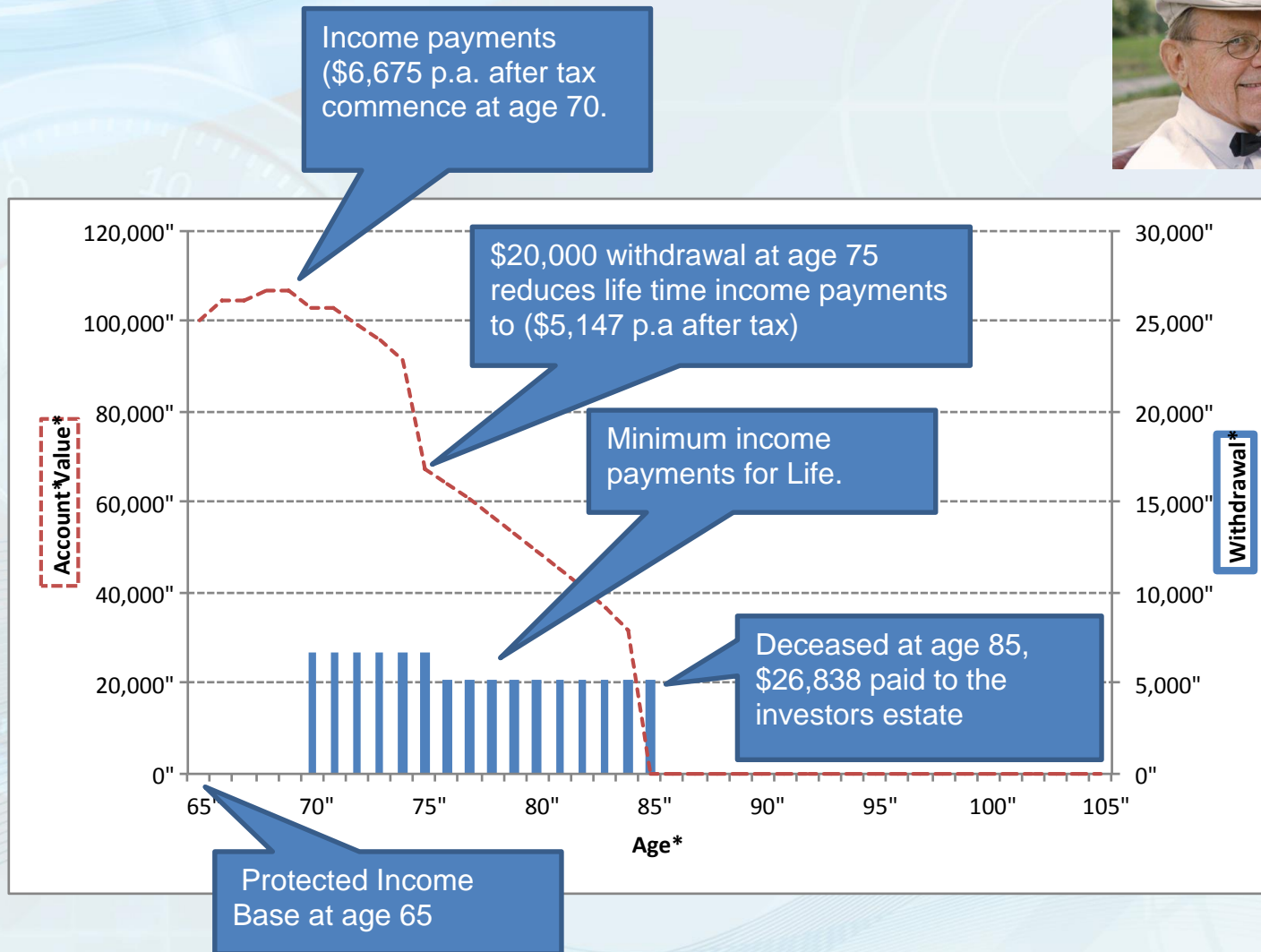


Lifetime Income Limited
(Registered Insurer, Longevity Risk Management)



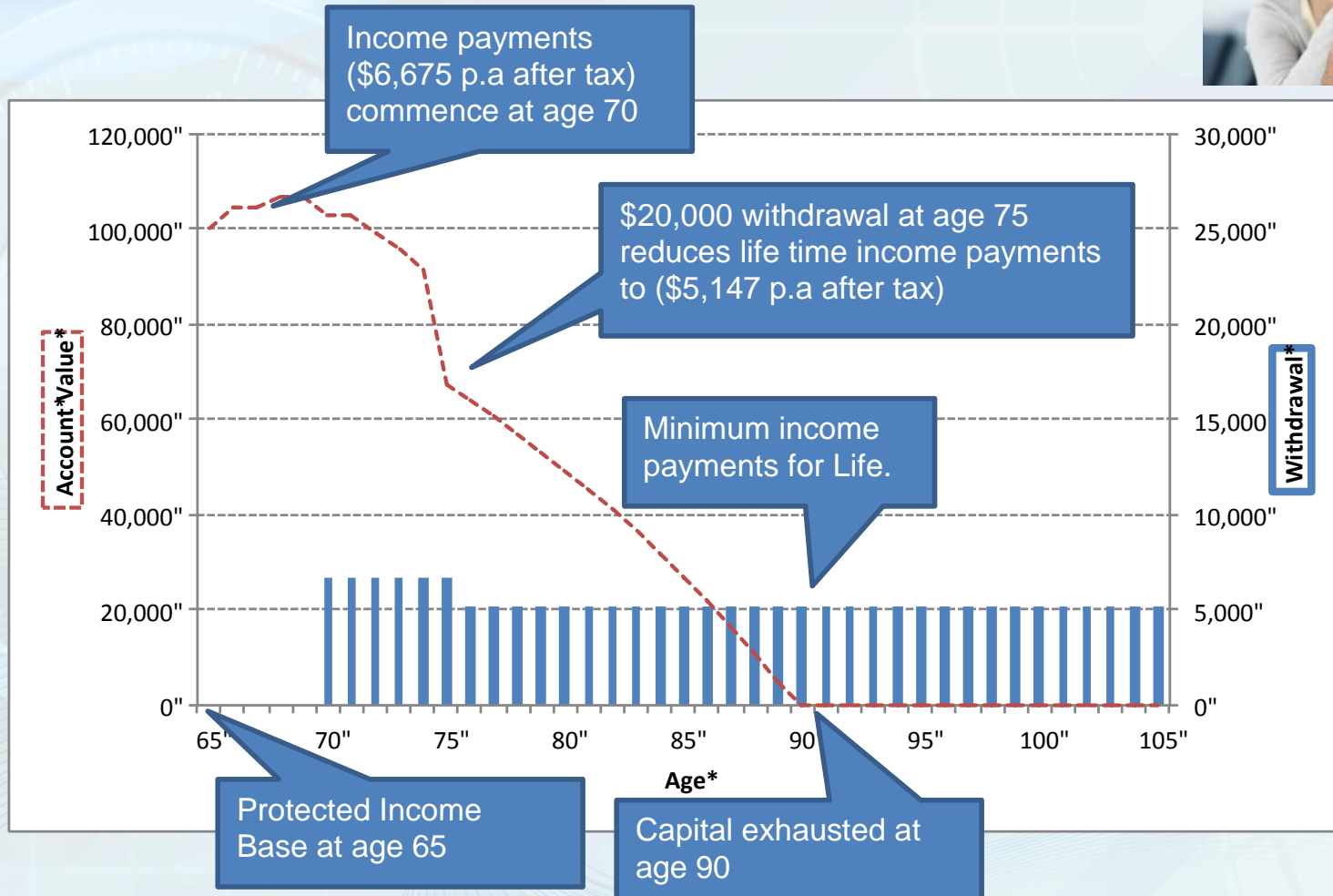
Example 1

Commence income age 65, deceased at age 85



Example 2

Commence income age 70, partial withdrawal at age 75



DIRECTORS:



DIANA CROSSAN, Chair person, NZIG Advisory Board, New Zealand's Retirement Commissioner for 10 years. She was Senior Executive with AMP in the UK and New Zealand and held senior leadership roles in the public sector.



MARTIN HAWES, NZIG Advisory board member, Martin is a one New Zealand's leading personal financial planning commentator. is a current columnist for the Sunday Star Times.



JOHN STRAHL, ex Partner at Phillips Fox. Principal legal adviser to Tower Limited for over 2 decades, handling de-mutualisation and capital raising in NZ and Australia



GRAEME MITCHELL, ex Audit and Assurance partner at Deloitte. Current board member of CIGNA Life Insurance NZ, member of the National provident Fund board of trustees, Chair of Audit Committees of Ministry of Justice and Ministry of Social Development.



TIMOTHY PARIS, Consulting Actuary Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries, and a graduate of the University of Connecticut, BS in Mathematics.



MURRAY HILDER, Appointed Actuary, MSc Hons in Mathematics, University of Auckland. A Fellow of New Zealand Society of Actuaries, a Fellow of Institute of Actuaries of London.

- KiwiSaver alone NZ\$36b next 15 years
- Target market NZ\$13b
- Economic solvency standards
- Binding tax ruling
- Life Company acquired
- Strong board governance & experience
- Offer documents registered December 2015
- Launch February 2015

