



AIST

Lifetime pensions Case study

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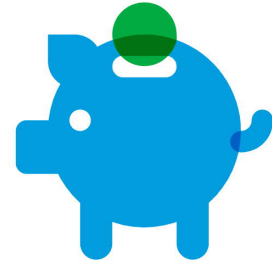


Agenda

- Background
- Process
- Challenges

Background

- In 2019 the Employer sponsor of XYZ Superannuation Plan requested that Trustee look into alternative methods to fund lifetime pensioners as they did want to pay any future contributions.
- Membership - 100 lifetime pensions with \$2.5m annual pensions in payment and 50 contingent pensioners with potential annual pension of \$0.8m.
- Investment strategy - 100% cash
- Latest actuarial investigation
 - Assets \$33m
 - Liabilities \$32.5m
 - lifetime pensioners \$28.5m and contingent pensioners \$4m



Process



- Reached out to the major life insurers in Australia
- Only 1 positive response
 - Very uncompetitive market in Australia currently
- Initial information gathering and sharing meeting
 - Benefit structure (lifetime pensioners and contingents, indexation, spouse reversions)
 - Options (buy in, buy out)
 - In this case Trust Deed legal review had suggested buy out not allowed
- Provide data to insurer for initial quote
- Compare quote to actuarial value of liabilities
 - Query where large differences (selection, IH retirees)

Process continued

- Project team implemented
 - Accounting
 - Trustee office
 - Administration
 - Investment operations
- Data cleansing
- Draft contracts
- Second, third and final quotes
- Due diligence
- Trustee and legal sign off
 - Sign contracts and implement buy in



Challenges

- Contingent pensioners insurance
- Benefit differences
 - Pension indexation timing (anniversary of retirement vs anniversary of policy)
 - CPI (minimum 0%)
 - Spouse reversion (maximum 100%)
- Price guarantee for only 2 weeks
- Annual proof of life (no response from pensioners)
- Requirement for actuarial investigations

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