

Forces Shaping the Future of Voluntary Retirement Programs

Aon Consulting

March 8, 2010



Don Ireland, Senior Vice President

Overview

- ↳ A needs based framework for voluntary retirement programs
- ↳ Observations of the current state
- ↳ Themes that will shape future plan design

The Needs

↳ Multi dimensional

- Government – public policy
- Individual
- Employer

Government Needs

- ↳ Anti-poverty
- ↳ Cost control
- ↳ Budget control
- ↳ Generational equity
- ↳ The competition:
 - Environment
 - Health care
 - Economy
 - Getting elected again

Individual Needs

- ↳ Economic security in retirement
- ↳ Comfort
- ↳ Legacy
- ↳ The competition:
 - The need to live
 - Longer life expectancies
 - More complex family structures
 - Walmart, Home Depot, the Shopping Channel...

Employer Needs

- ↳ Productive workforce
- ↳ Manage financial risks
- ↳ Manage diverse workforce
- ↳ Streamline administration
- ↳ The competition:
 - Shorter term objectives
 - Tangible cash compensation

Observations of Current State

- ↳ Cost of risk is going up
- ↳ Cost of administration / investment is coming down
- ↳ Plan governance is becoming more challenging
- ↳ Greater responsibility and onus is being placed on plan members

Themes That Will Shape Future Plan Design

- ↳ Greater diversity in plan designs
- ↳ Greater diversity in risk management solutions
- ↳ Greater support for financial literacy
- ↳ Greater support for individual risk management
- ↳ New work rules for older employees
- ↳ Much experimentation
- ↳ Political intervention

Concluding Thoughts

- The retirement discussion needs to move beyond debating delivery mechanisms:
 - Coverage
 - Financial literacy
 - Broad based diversity
- Future direction will ultimately be tied to future economic and social realities
- Challenge – anticipating the mistakes in advance