

Global Retirement Trends

Australia/Pacific Rim

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Overview

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- Background
- Demographic Changes
- Retirement Savings Infrastructure
- Funding Approaches
- Prudential Requirements
- Investment Opportunities
- Healthcare

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Background

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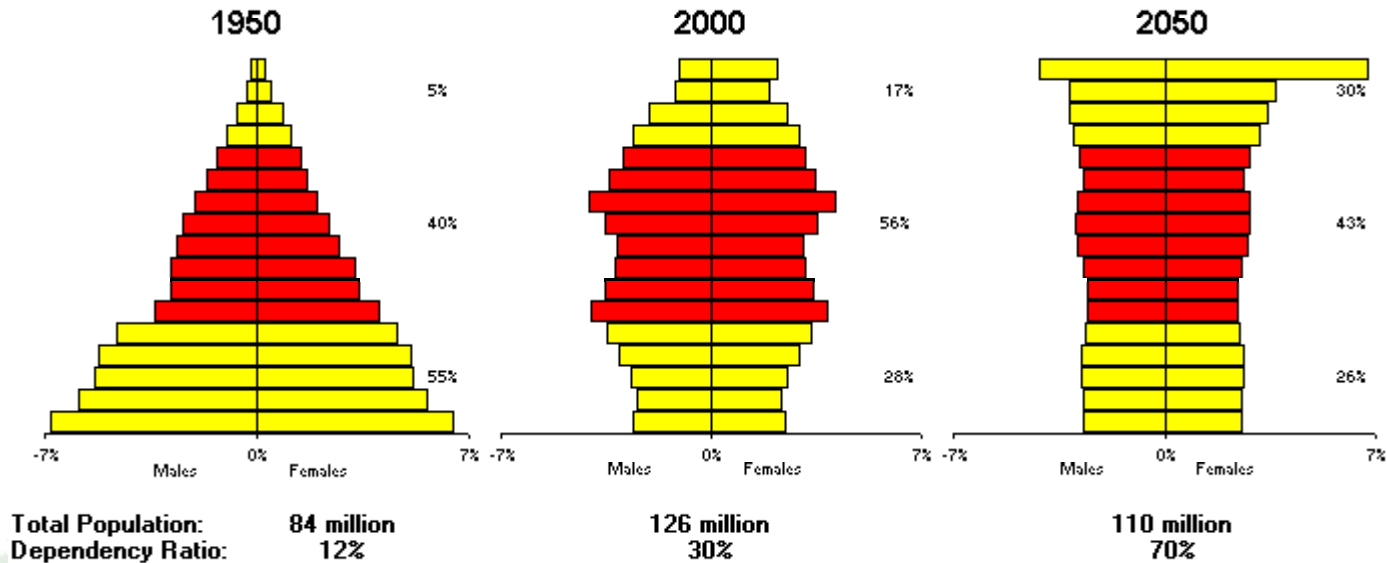
- The countries within the Pacific Rim are very diverse.
- Mature nations - generally higher dependency ratios, and more developed retirement infrastructures.
- Maturing nations - large and faster growing populations, growing dependency ratios, lack of developed retirement infrastructures.
- Some mature nations - similar problems to maturing nations in developing and funding an adequate retirement infrastructure.

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Demographic Changes - Japan

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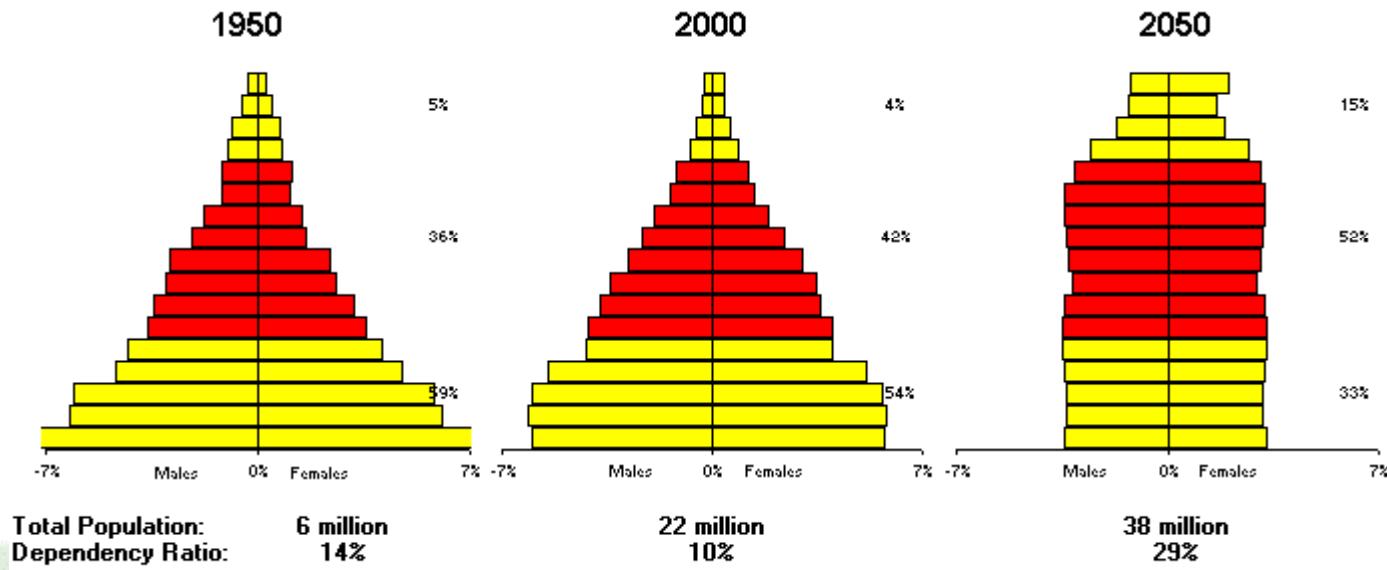


- Aging population of a mature nation.
- Projected dependency ratio in 2050 is 70%.
- Similar trend for other mature nations.

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Demographic Changes - Malaysia

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- Aging population of a maturing nation.
- Dependency ratio lower than for mature nations but still projected to increase from 10% to 29% over next 50 years.

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Effects of Demographic Changes

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- Changes in retirement benefit funding to support ageing population:
 - introduction of/increases in compulsory contribution rates
 - higher retirement ages.
- Increasing recognition of potential blow-out in unfunded retirement liabilities.
- Movement towards DC plans in line with global trends
 - many countries not far advanced.

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Retirement Savings Infrastructure

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- Some countries in the region previously lacked retirement savings infrastructure.
- Countries such as China are currently in the process of developing and implementing legislative infrastructure for retirement plans.
- Many countries still lack the investment opportunities for effectively funding retirement plans.
- Increased employment costs in many countries may impact negatively on economy.

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Funding Approaches

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- General trend towards implementation of defined contribution plans and phase down of defined benefit plans.
- Push from some governments for provision of pensions rather than lump sum benefits.
- Generally, most maturing nations are attempting to move away from a pay-as-you-go retirement benefit system.
- Most countries either have or are moving towards a funded retirement benefit system, with employers and employees as the main contributors.

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Prudential Requirements

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- A combination of poor investment returns, increased compulsory participation and improved funding ratios has prompted a focus on prudential management.
- Governments are implementing legislation seeking to ensure contributions are made and plans are better managed.
- Many countries have guidelines on the investment of vested retirement benefits.

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Investment Opportunities

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- Maturing nations in the region lack developed investment opportunities.
- Exaggerated if legislation requires a certain portion of investments to be held domestically or in government nominated investments.
- In some nations, retirement funds are held by the government - conservative investment strategy leads to lower benefits.

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Healthcare

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- As fertility rates fall and longevity increases, there is also a significant increase in the population group aged 80 and over
 - this is the group expected to consume most medical services.
- Currently many of the countries have publicly funded health care services, albeit at a basic level.
- Trend towards private health cover to relieve pressure on the public system.

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