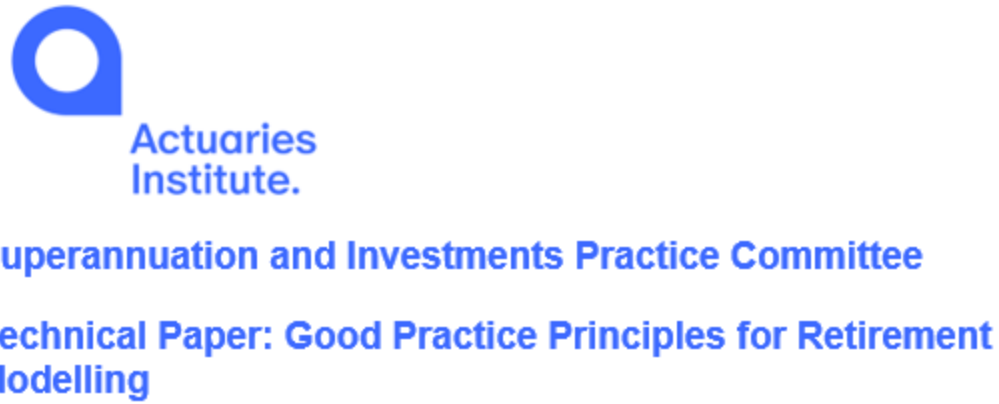
Good Practice Principles for Retirement Modelling

Presented by:
Ruvinda Nanayakkara and
Anthony Asher

Technical paper

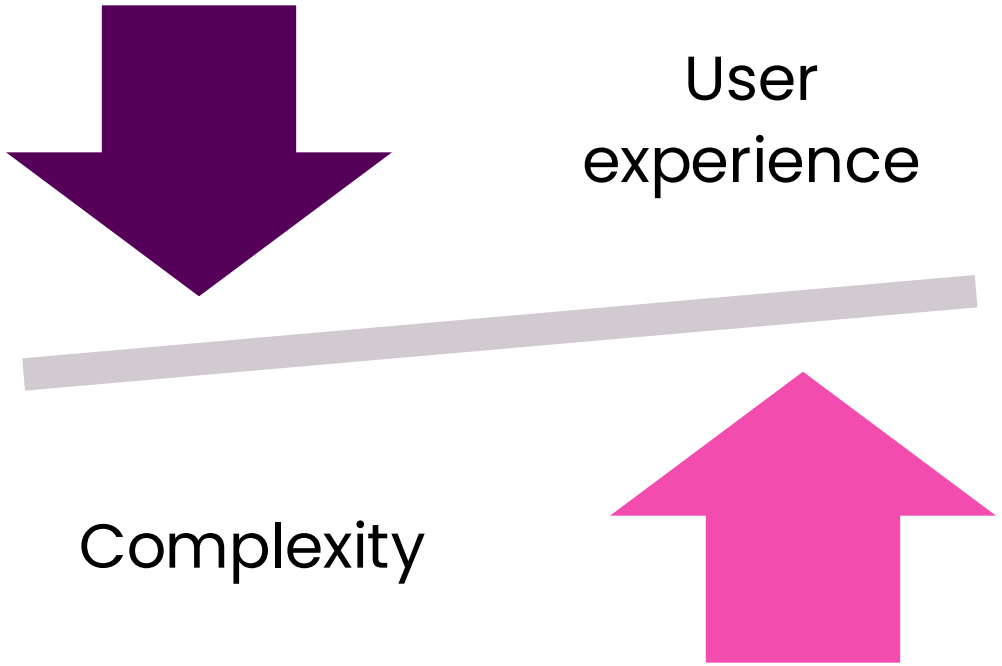


“A household’s ultimate retirement income will often come from multiple sources and involves complex decision making . . . requires digital advice . . . Examples are online calculators, projection tools used by planners . . . Actuaries are naturally placed to contribute to the setting of appropriate standards for modern retirement modelling.”

Purpose

Help model owners and developers, evaluate retirement models that are developed for the use of members/advisers ensure that their models adequately consider essential elements, aligned with the model's intended purpose.

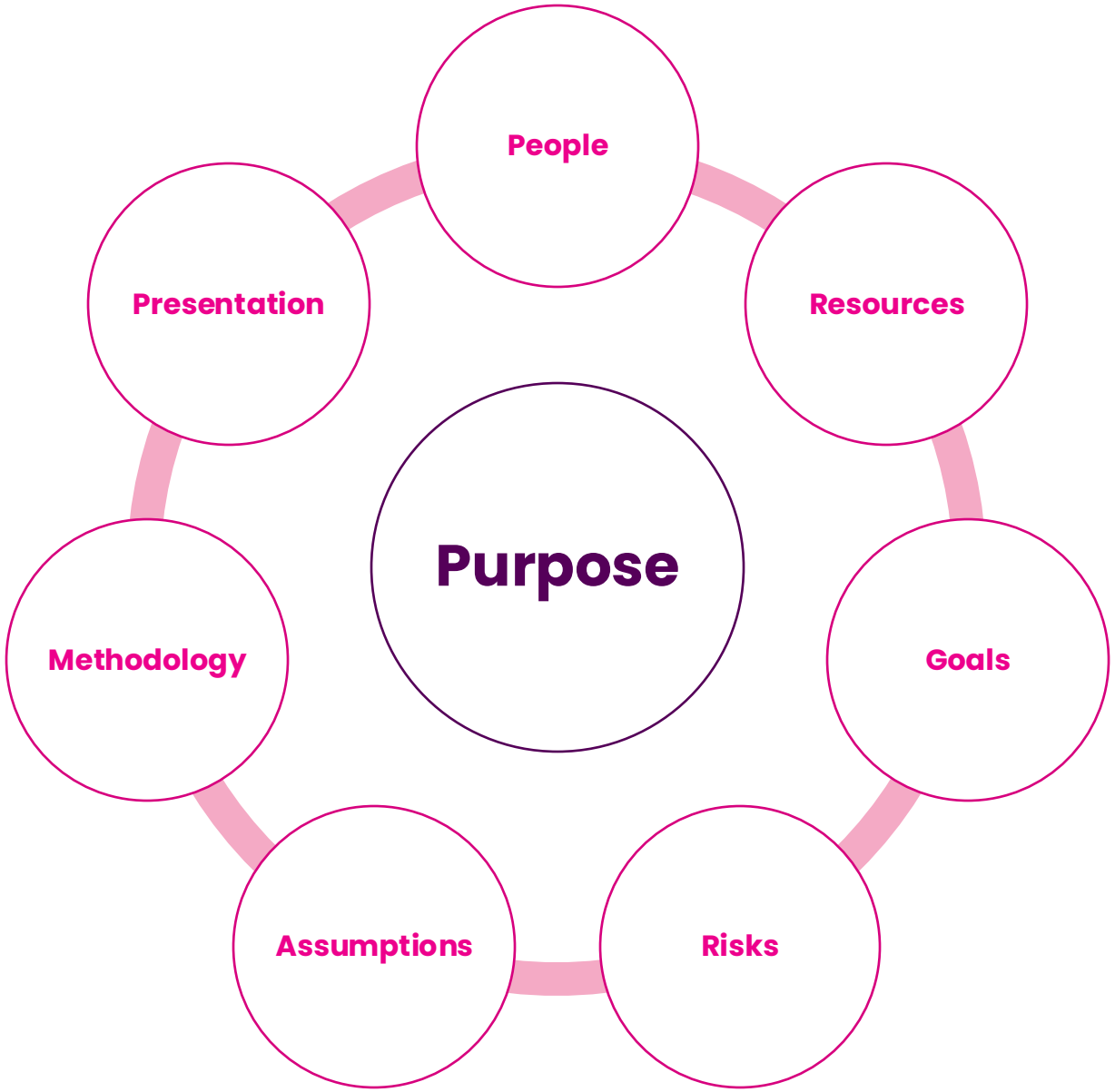
Help developers find the right balance between Simplicity/User Experience and Complexity



Checklist

Step 1 : Clearly define the purpose of the retirement model

Step 2 : Based on purpose, define what is in scope?



Checklist – Scope

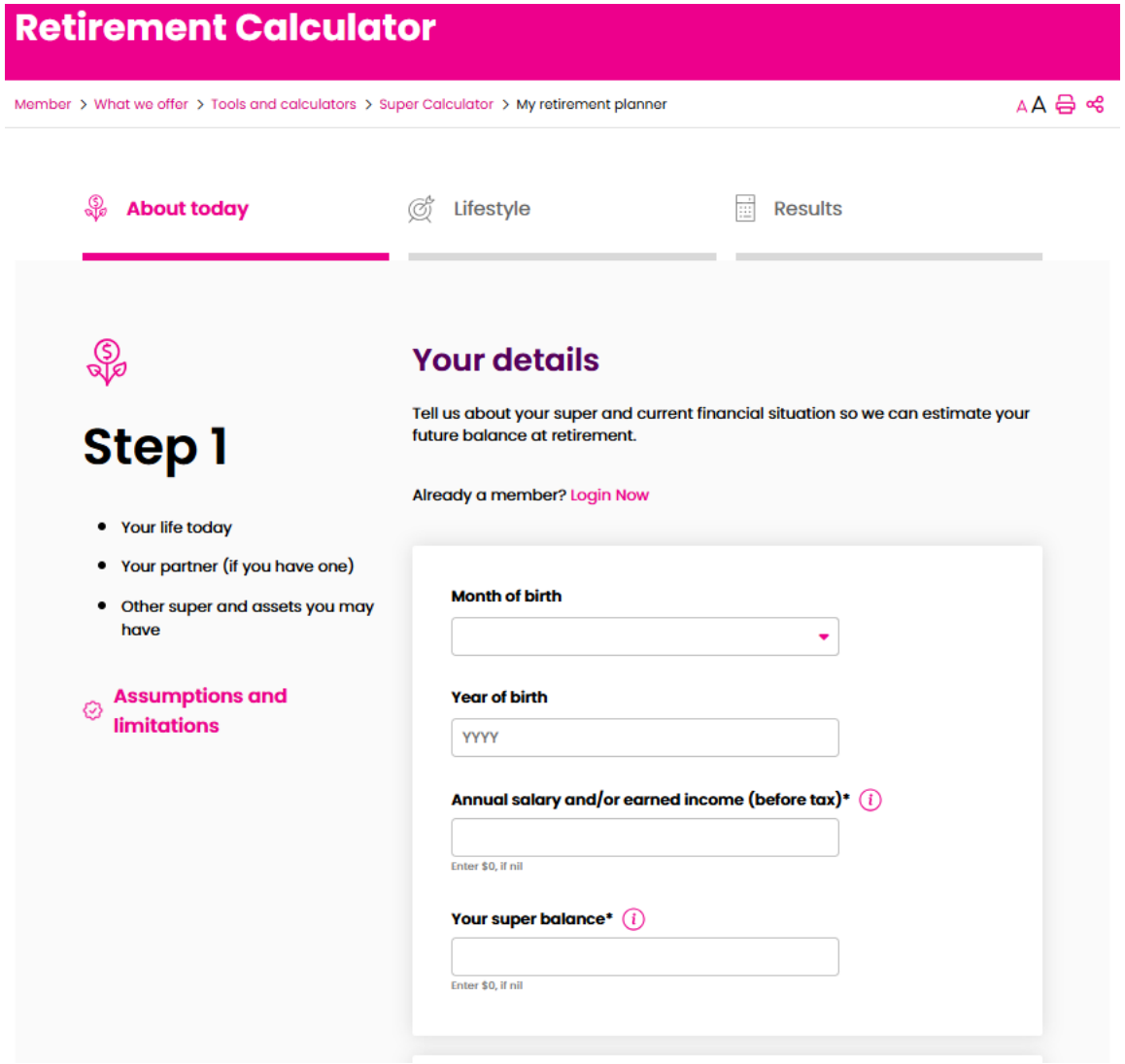
People

- **Primary user**
- **Partner/Other dependents**

Resources

Does the model allow for all the relevant financial resources?

- Income
- Assets and liabilities
- Welfare

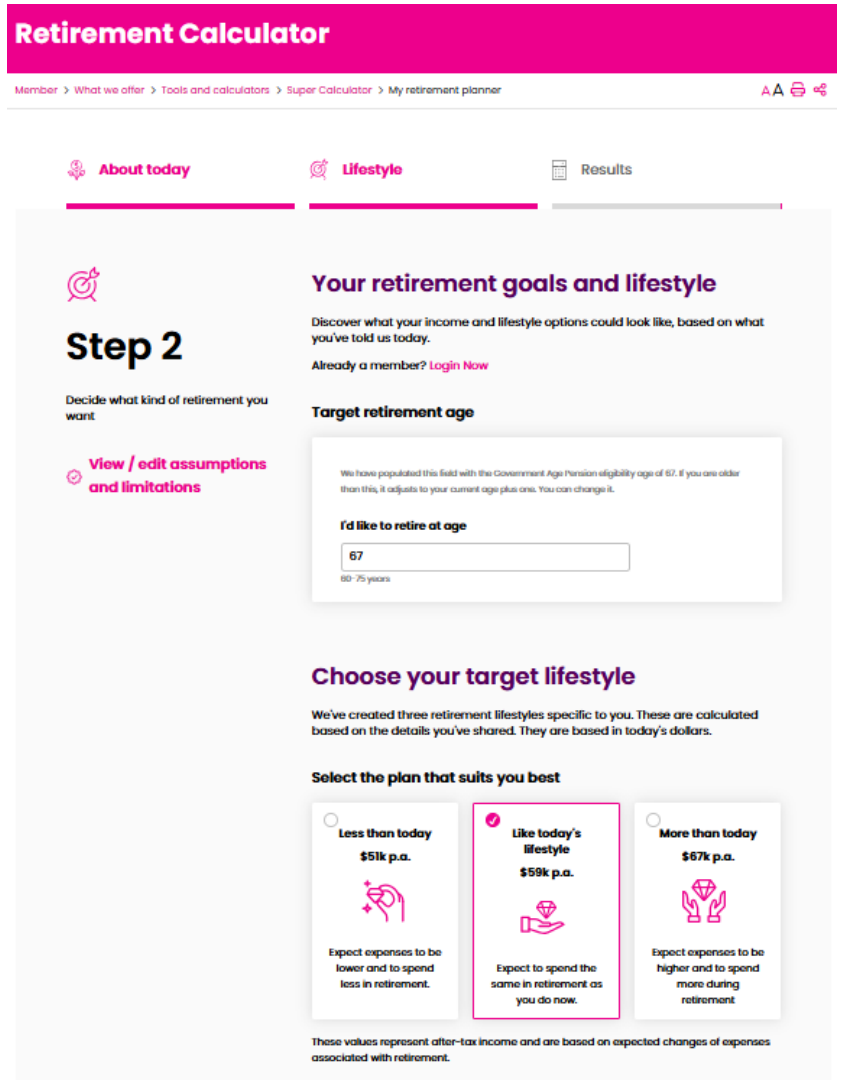


Checklist - Goals

Goals

Is it clear which goals are in scope?

- Income/ Spending/ Budget
- Lump sum required
- Retirement period
- Contingency fund/Bequest
- House purchase/rental costs
- Aged care

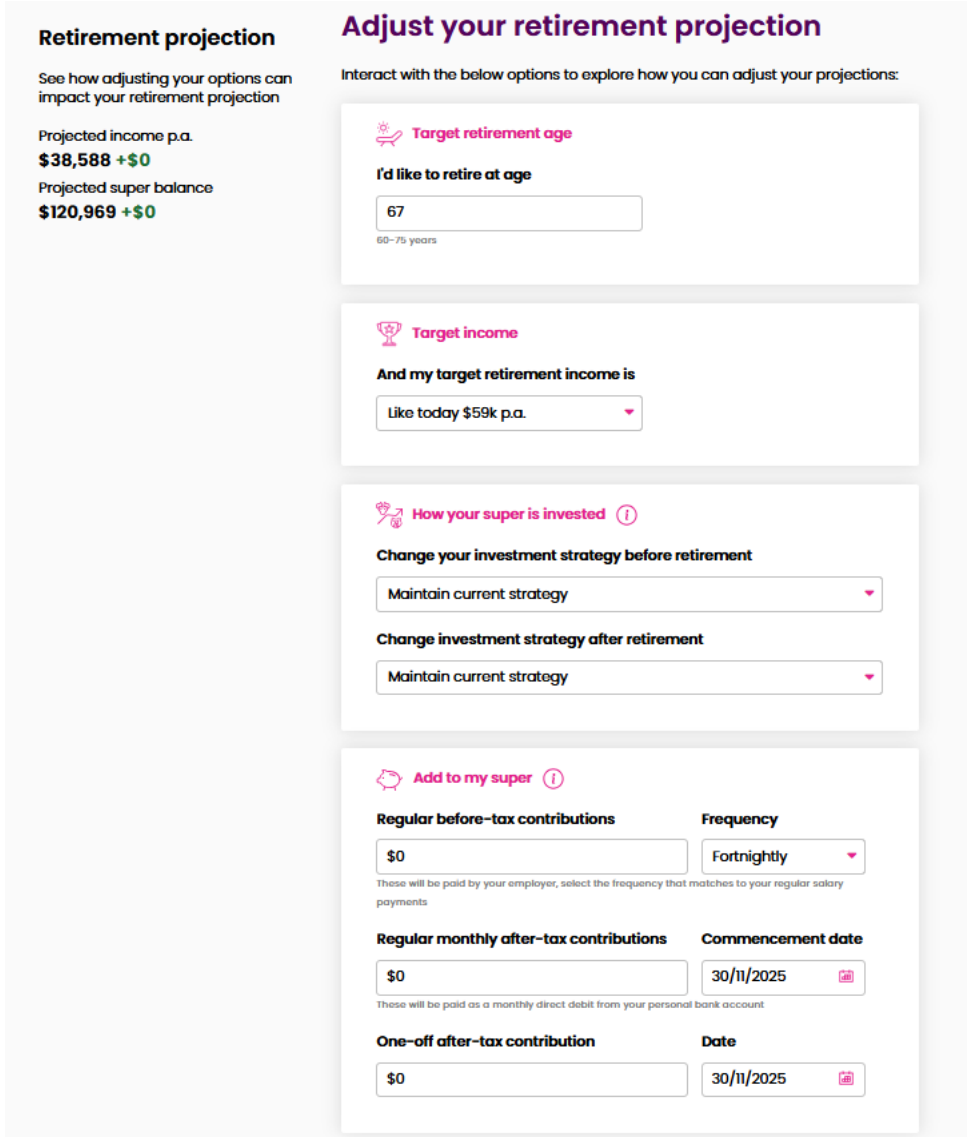


Checklist – Risks

Risks

Is it clear which risks are allowed for in the model?

- Longevity
- Mortality/Disablement
- Inflation
- Investment market
- Employment

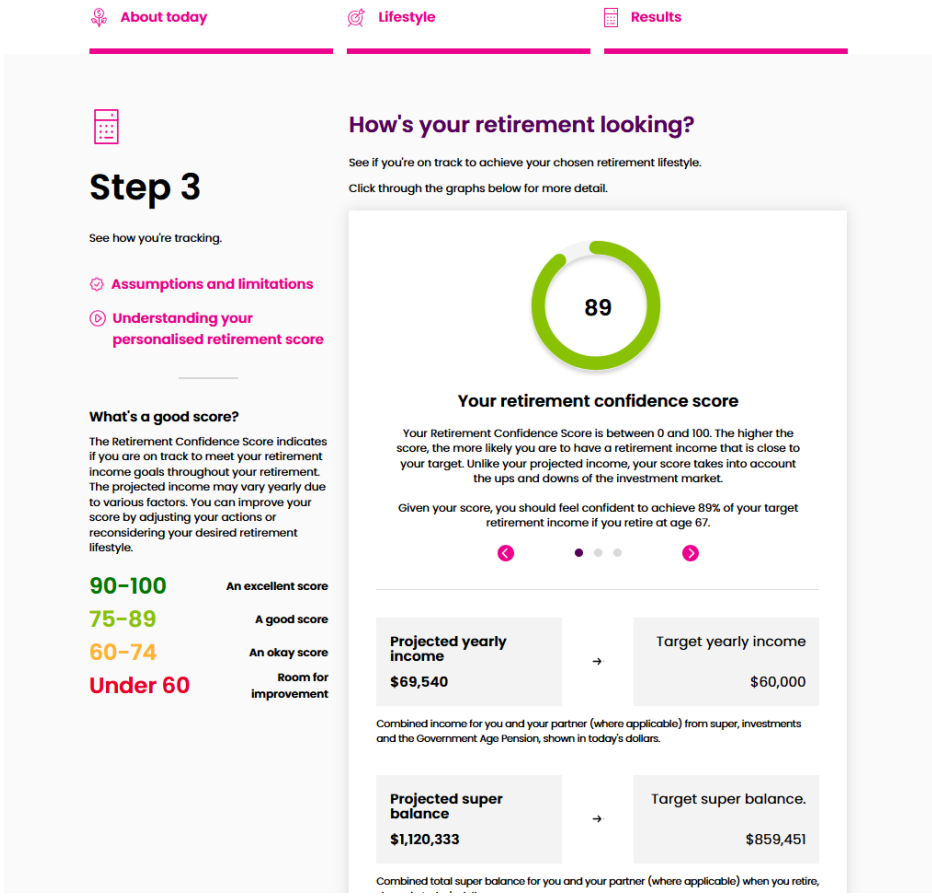


Checklist – Presentation

Presentation

Are the user interface and results clear and not misleading?

- Purpose and limitations
- Inputs / Outputs
- Iterations
- Feedback
- Precision
- Disclosure
- Practicality
- Compliance



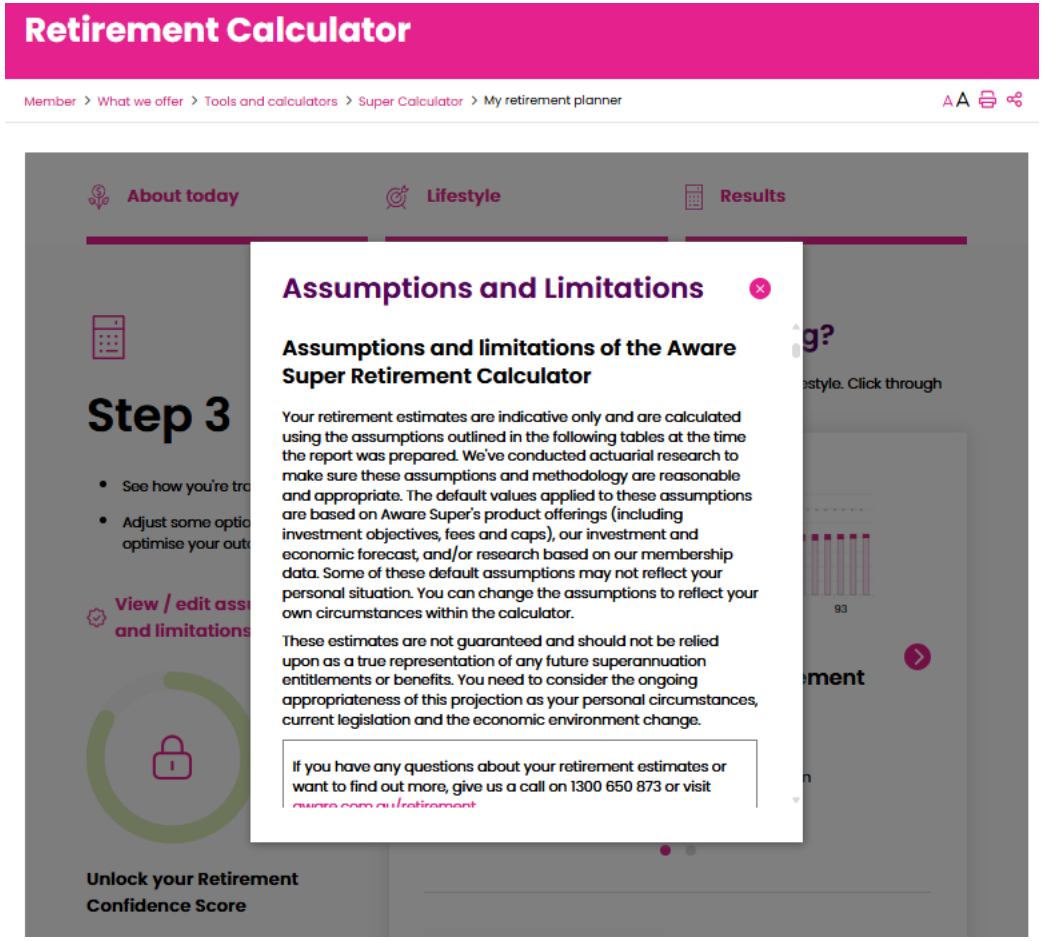
Checklist –Technicalities

Methodology

- Are calculations logical, consistent and reasonable?

Assumptions

- Are default assumptions reasonable for the model purpose?



Special thanks

Members of the working group

Ruvinda Nanayakkara (Chair)
Anthony Asher
Richard Starkey
Jim Hennington
Aidan Nguyen
Estelle Liu
Anita Woon
Ming Pin Low
Hailey Cai
Desmond Muzerowa

Actuaries Institute.

Thank you.