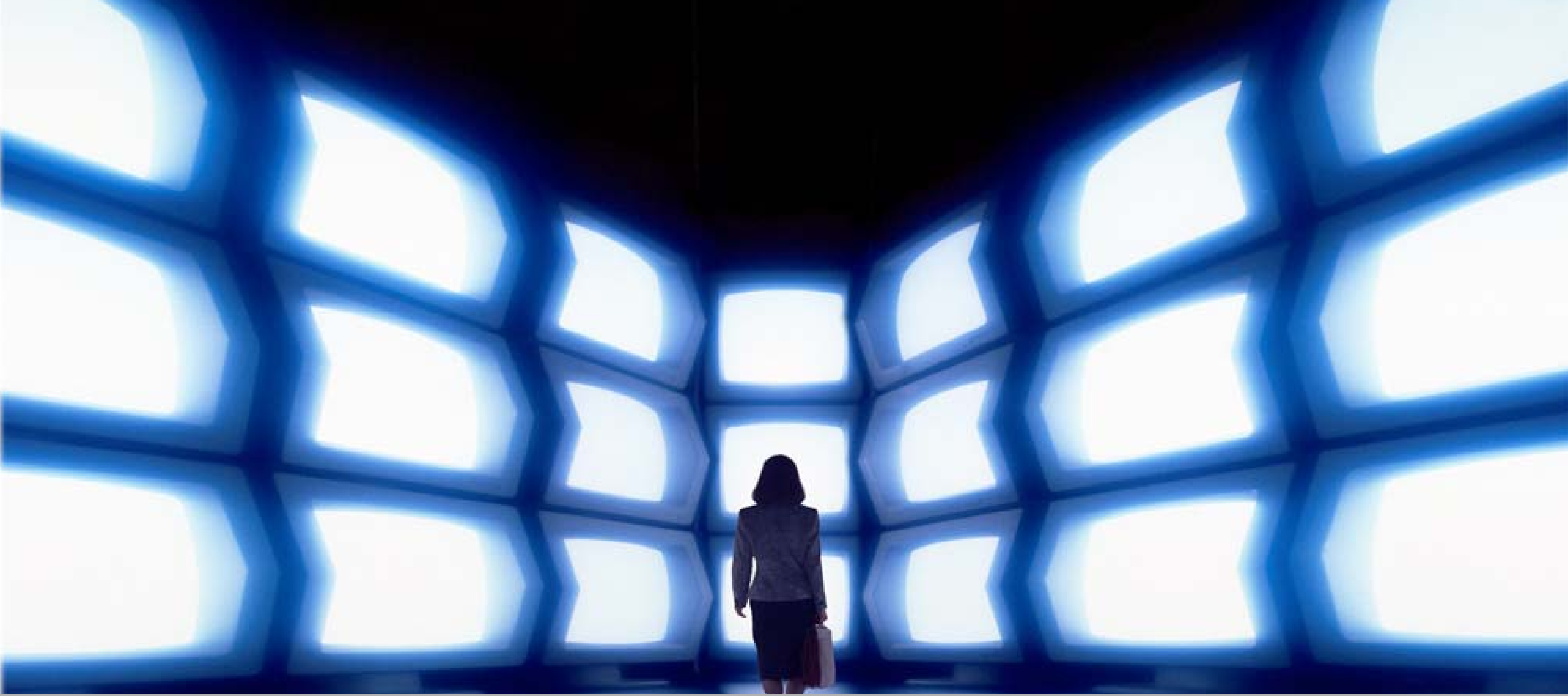
Insurance and
Actuarial Advisory Services

February 2007

Recognizing Retirement Risk

Meeting the Retirement Income Challenge

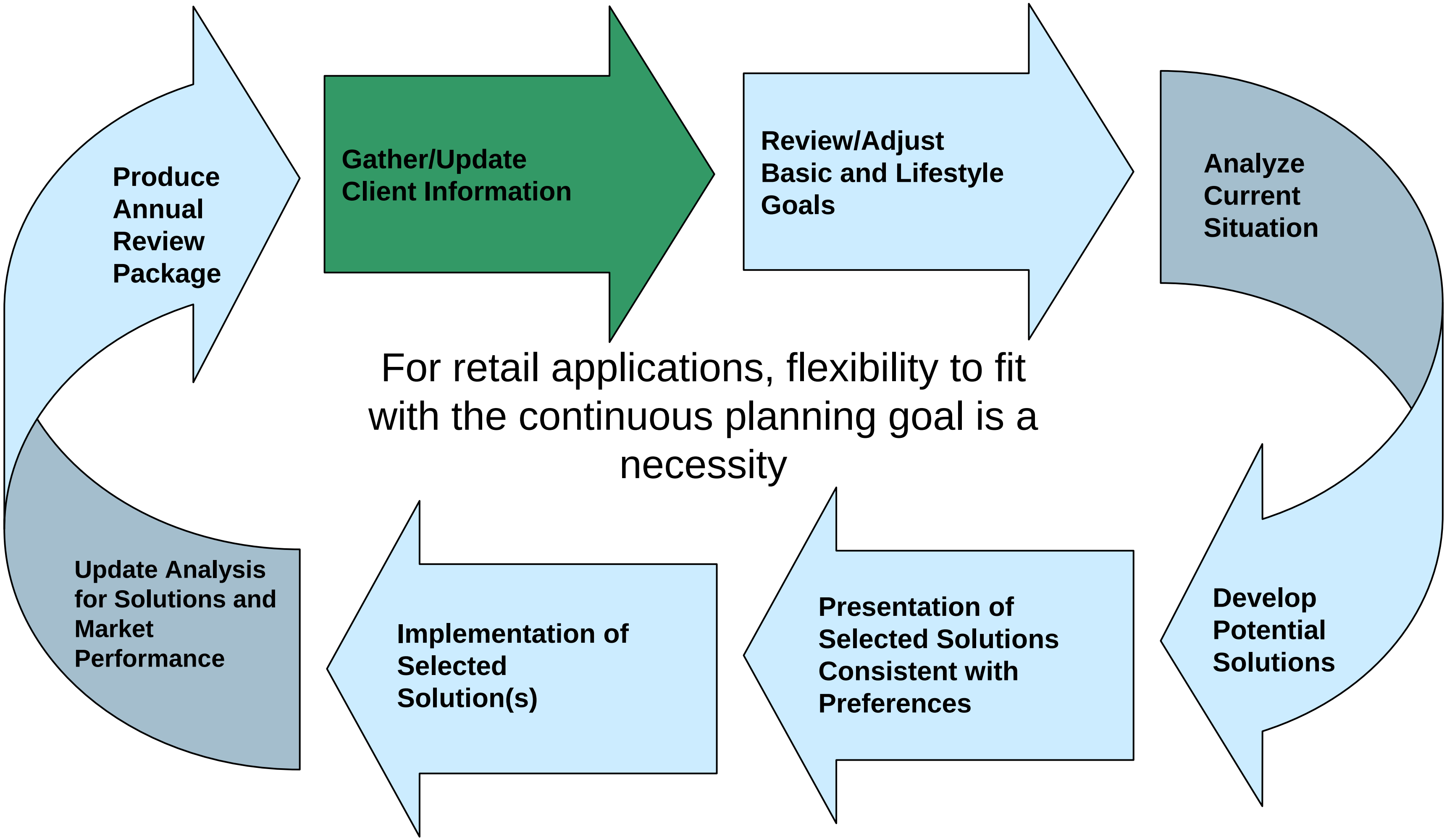


Ernst & Young
Quality In Everything We Do

Our Background

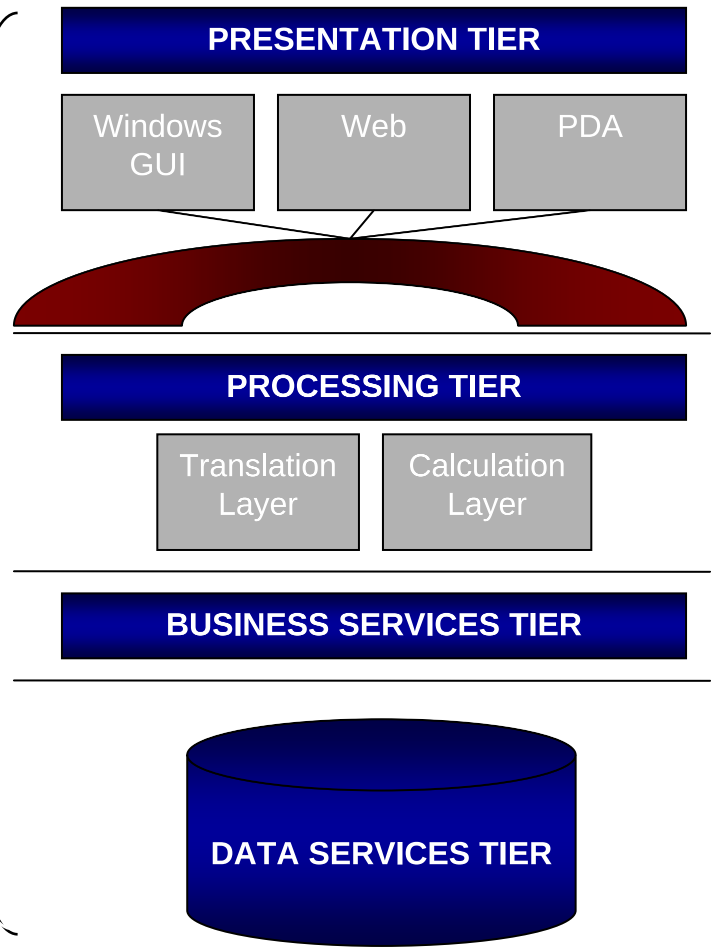
- In the business of answering retirement income questions since 1999
- We offer both consulting services and products to the institutional market
  - Retirement Analytics™
  - The Retirement Income Knowledge Bank™
  - Consulting around strategy, product, education, financial tools
- Capabilities rooted in financial risk measurement and management
- We are recognized as thought leaders in three areas:
  - Retirement planning analysis
  - Advanced product knowledge
  - Business positioning

Everyone Agrees Advice Should be Based on Some Kind of Analysis



For retail applications, flexibility to fit with the continuous planning goal is a necessity

Evolution in Platforms Continue



Simplicity in:
- **Presentation**
- **User Experience**

Continuous Evolution

Complexity

Generation 1

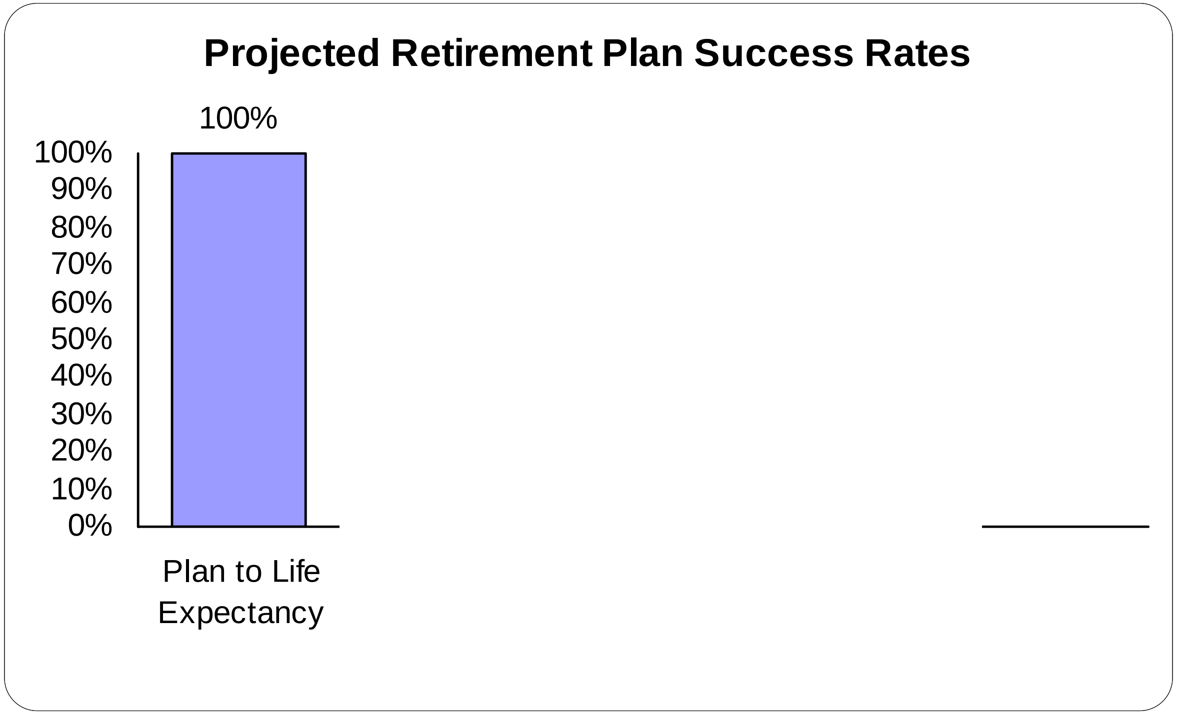
Generation 2

Generation 3?

Retirement Planning Requires Realistic Treatment of Risks

- Key retirement risks must be recognized appropriately in the retirement income planning process, including:
  - Investment returns
  - Inflation
  - Mortality
  - Order of death
  - Morbidity
  - Under spending
- Properly reflecting these risks will materially impact retirement plan success rates

The Long View on Retirement Risk



45% of plans developed using the traditional approach will fail during the course of retirement!

We Believe There is a Necessary Evolution of “Engines” and Process

- Reflect More Realistic Consumer Needs
  - Basic vs. Lifestyle
  - Variable over the course of retirement
  - Adjusted appropriately upon risk events
- Reflect Additional Risks
  - Mortality
  - Morbidity
  - Order of Death
- Reflect solutions and risk impacts realistically
  - Addressed in terms of likelihood and size
  - Consider multiple products or strategies
  - Frame choices as trade-offs

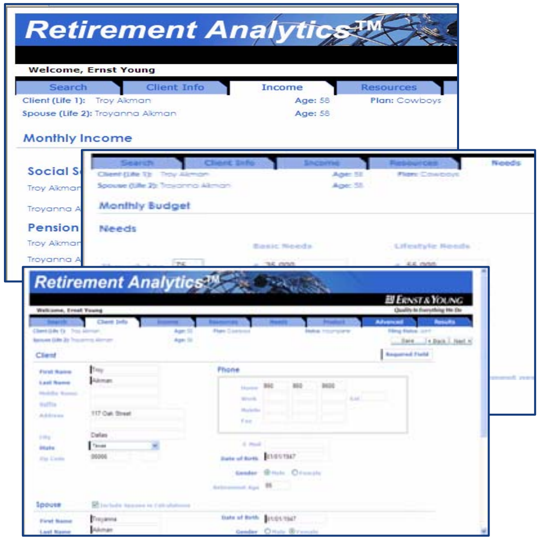
Keep it Simple?

- Asset Allocation Models with Specific Goals
  - Scenario testing to address risk impact
- Simplistic treatment of products and performance
  - Paying a premium eliminates a risk
- Phased Approaches
  - Consistency of advice across transitions

Practical Observations

- Sales process or planning platform
- Build, buy or modify
- Disparate results
- Suitability

Retirement Analytics™

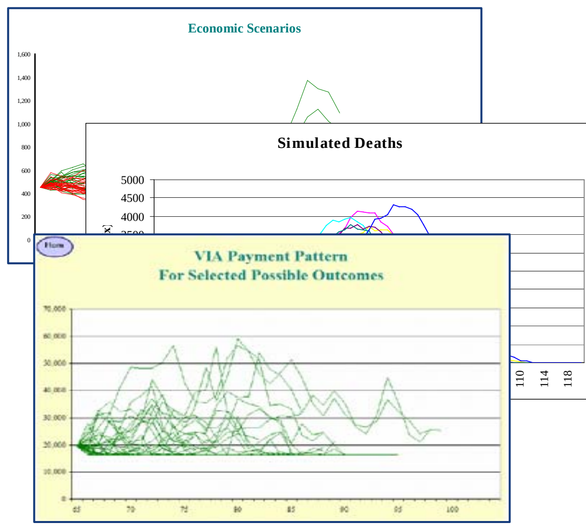


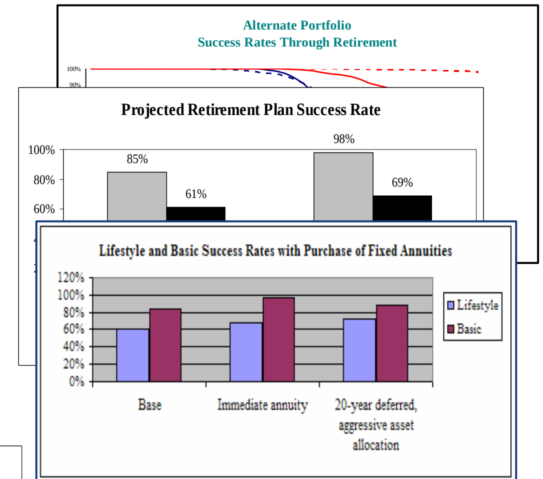
INPUTS

- Demographic Information
- Financial Information
- Strategy and Product Information

PROCESSES

- Economic Simulation
- Actuarial Simulation
- Product Performance





OUTPUTS

- Success Factors
- Failure Information
- Other statistics

Retirement Analytics Brings Institutional Risk Management Techniques to Individual Retirement Planning

ERNST & YOUNG LLP

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Retirement Analytics™ and Retirement Income Knowledge Bank™ offered for sale by:

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