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QIC ADVOCATES DYNAMIC LIFECYCLE APPROACH TO DEFAULT OPTION DESIGN

QIC will be offering super funds a dynamic lifecycle approach to investing after its research showed that this approach has the potential to enhance retirement outcomes for super fund members.

QIC Managing Director Lifecycle Strategies Michael Drew said the global financial crisis had highlighted the shortcomings of the traditional 'set and forget' approaches to default option design.

"With most super fund members in defined contribution plans, the recent effects of the global financial crisis have illustrated the dangers of taking a static approach to asset allocation," Mr Drew said. "We believe that the static, one size fits all aspect of current default options will continue to disappoint many members, particularly those nearing retirement."

"Our research shows that dynamic lifecycle strategies that incorporate both account balance and age exhibit superior performance compared to typical current investment practices."

Dynamic lifecycle strategies constantly adjust throughout a member's life, focusing on the investment returns required to meet a member's real retirement objectives.

"To be successful, lifecycle strategies should be diversified and make use of the full range of investment tools including downside risk protection, particularly during the critical phase towards the end of accumulation and the beginning of decumulation," he said.

Dynamic lifecycle investing is consistent with guidelines put forward by the Cooper Review for its 'MySuper' superannuation product.

"The Cooper Review has called for superannuation products that are low cost, conceptually simple and diversified. Lifecycle strategies can be designed to meet all of these requirements," Mr Drew said.

"By delivering a level of customised asset allocation solutions to all members in a cost-efficient manner, effective lifecycle strategies can have a wide-ranging impact for super fund members over their lifetime."

"We are already getting a lot of interest from super funds regarding this new approach to lifecycle strategies and we will be in a position to implement and manage solutions before the end of the year. This service will draw on the proven capabilities of QIC's existing investment boutiques as well as the work of our lifecycle team."

QIC is one of Australia's largest institutional fund managers with \$52.9 billion¹ under management.

The QIC Red Paper – Dynamic Lifecycle Strategies- Improving retirement outcomes for super fund members - can be downloaded in full from QIC's website (www.qic.com).

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¹ As at 30th April 2010

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