Will DC members be happy with their pension ?

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Member Communication

What does this all mean ?

2 Things That Might Help

1. Give people a target

2. Use conservative projections

A Suitable Target

- Should be simple but not too simple
- Should be income related
- Should include social welfare pension
- Should be challenging but achievable
- Should be personalised

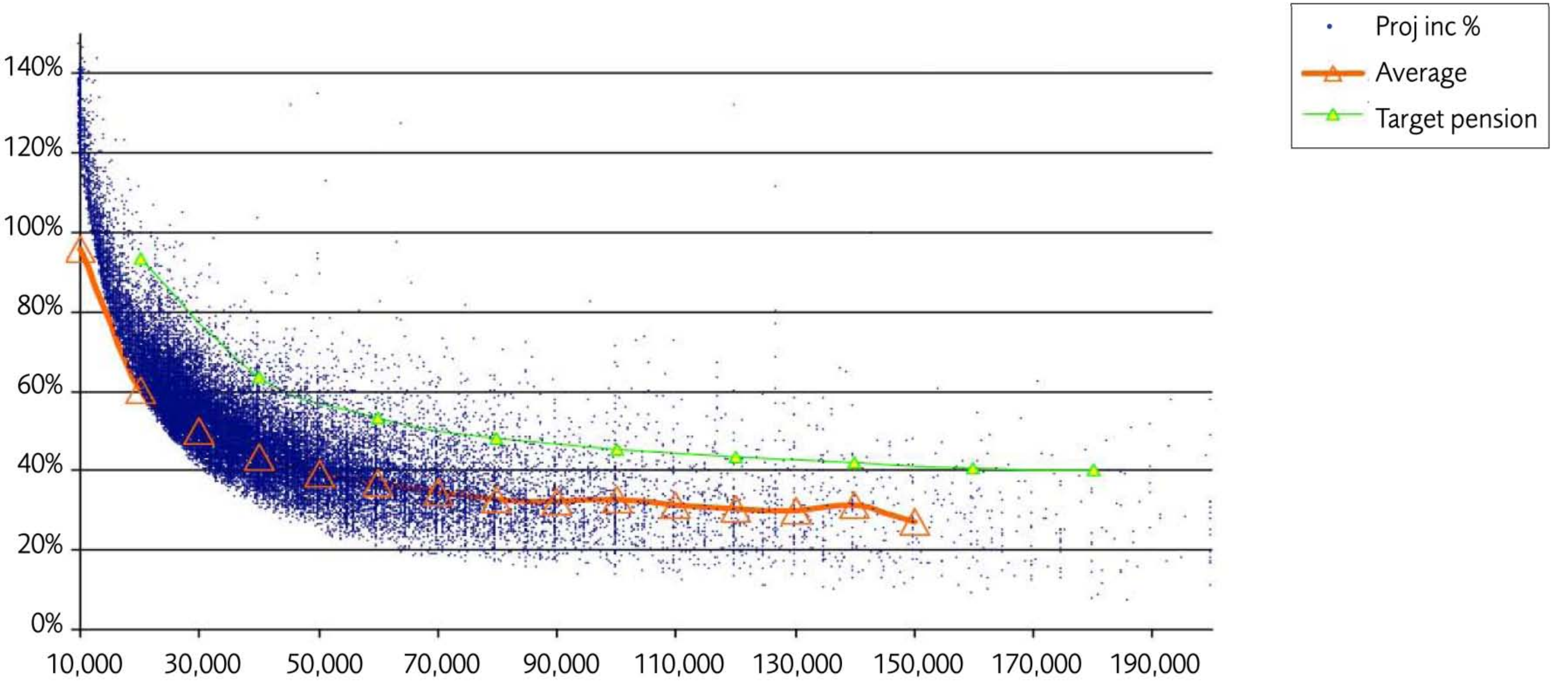
Replacement Income = 12k + 33% x Salary

Conservative Projections

- Investment return vs. salary growth is the key assumption
- Little evidence that investment returns outperform salary inflation
- Does it make sense that investment returns can outperform by 2% per annum ?

Assume Investment Returns = Salary Inflation

Replacement Income % at 65 by Salary



Conclusions

- Benefit statements should show a target
- Target should be 12k + 33% x Salary
- Projections should assume Investment Returns = Salary Inflation

THANK YOU

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