

Introducing our Member Outcomes Tracker

MAY 2020

Putting short-term returns into context for your members

Saving for a pension is a long-term commitment and a potentially daunting one for DC members. Questions like, “what level of pension will I need?”, “how much should I save each month?”, and “when can I reasonably expect to retire?” aren’t straightforward to answer so it is perhaps understandable that members can become confused and disengaged from their pension without help. At Hymans Robertson, our Guided Outcomes technology can help members answer these types of questions and set savings strategies to help reach their retirement goals.

Changes to personal circumstances or unexpected changes in markets, such as those experienced recently, can lead to behaviours from savers which impact their longer-term outcomes. It’s important that pension sponsors and fiduciaries continue to communicate with members, particularly during times of change. Indeed, the emergence of COVID-19, its tragic consequences and the resulting economic turmoil is a reminder of just how quickly things can change.

Tracking member outcomes

To help you put recent market events into context for your members, we’ve developed the Hymans Member Outcomes Tracker. By illustrating the impact on longer term outcomes, our tracker can help you identify potential areas of focus when communicating with different groups of members.

Recent falls in markets have inevitably reduced expected retirement incomes but whether members should reconsider their retirement options due to these falls, or simply “weather the storm”, is perhaps less clear.

Our tracker monitors changes to the expected retirement incomes (excluding State Pension) of three typical members, who could represent members of your arrangement:



Jane is 25, part of the “Millennial” generation, and in the early part of her savings journey so she has a modest level of savings. She is most concerned about making ends meet and does not view her pension as a significant priority right now.

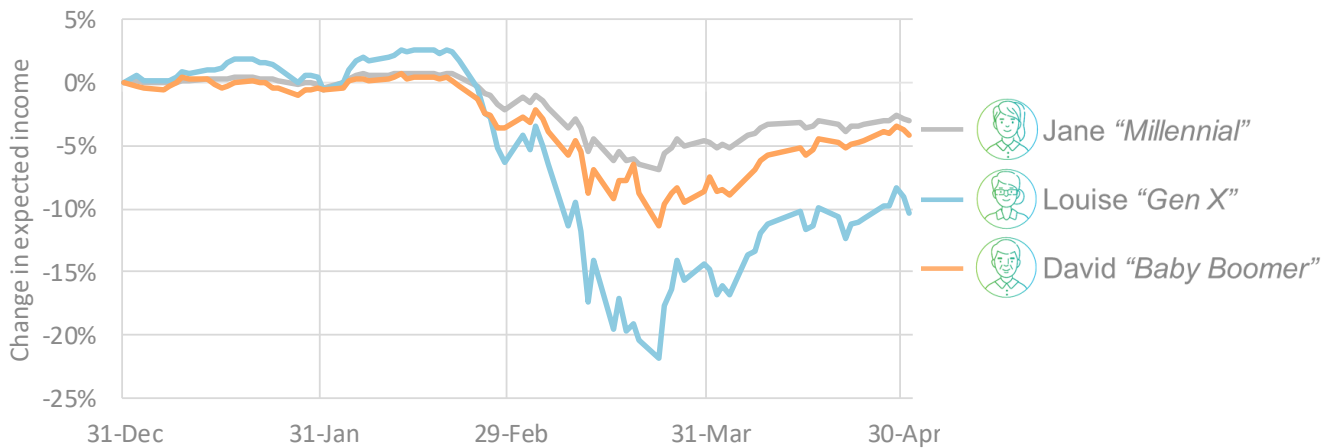


Louise is 45, part of “Generation X”, and midway through her savings journey; she has a reasonably sized fund and is hoping for good investment returns in the medium term to build up her pot. She is starting to think about her retirement choices.



David is 60, part of the “Baby Boomer” generation, and plans to retire soon. He has built up a sizeable pension pot through many years of employment and, because he invests in a lifestyle strategy, his savings have started to move into less risky assets. He plans to travel in the early years of his retirement.

Member outcomes tracker to 1st May 2020



What is the impact on expected retirement income?

What areas should we consider when communicating with our members?



Jane

“Millennial”

Jane is least impacted by recent events, despite headline market falls. Her expected retirement income has **fallen by less than 5%**. Future contributions and investment return in the many years she has left until retirement are expected to substantially offset the short-term impact of recent market falls.

Jane has seen a fall in the value of her savings but shouldn't be alarmed. You may wish to remind members like Jane of the importance of contributions and that pension saving is for the long-term. Shocks and recoveries will inevitably happen between now and when she retires but this one is unlikely to greatly affect her pension.



Louise

“Gen X”

Louise is still heavily invested in growth assets and has built up a reasonably large pension pot, which has been exposed to the recent market falls. Her expected pension income has **fallen by around 10%**.

Louise may be concerned about the reduction in the value of her fund, but she has options. You may wish to remind members like Louise about these options. She could consider the impact of paying more (if she can afford to do so) or think about being more flexible around the timing of her retirement. Alternatively, she could choose to weather the storm and review her options again later.



David

“Baby
Boomer”

David has benefited from a more defensive investment approach, which has helped protect the value of his pension pot. His expected retirement income has **fallen by less than 5%**.

David will have read about the turmoil in markets, but the way his pension has been invested is likely to have protected him. You may wish to reassure members like David if their investment strategy has helped protect the value of their fund and describe the choices available to support their retirement planning.

Please contact your usual Hymans consultant if you have any questions, or if you'd like to use the tracker to support your ongoing governance arrangements.



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