



unlocking the value from your
retirement fund through
communication

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agenda

- ~ member apathy
- ~ current education initiatives
- ~ case studies
- ~ taking ownership



the purpose of the retirement fund

- ~ state only provides basic benefits so employees look to employers to arrange benefit arrangements
- ~ employers recognise sickness, disability, death & retirement as essential in remuneration packages
- ~ economies of scale for groups of people
- ~ attract and retain valuable staff



members are not expert on their needs



~ choice

~ fees

~ simple

~ brands

~ preservation

~ simplicity

~ passive

~ fancy

~ investment process

~ cash shortfall



education from a variety of sources



Alexander Forbes



effective communication?

- ~ despite best efforts, members have little understanding and take no action based on communication
- ~ 17% believe members have understanding of communication
- ~ 13% members will act on communication
- ~ printed medium dominant
- ~ members desire more interactive communication
- ~ 48% of funds have member level investment choice
- ~ 68% of members use the default fund

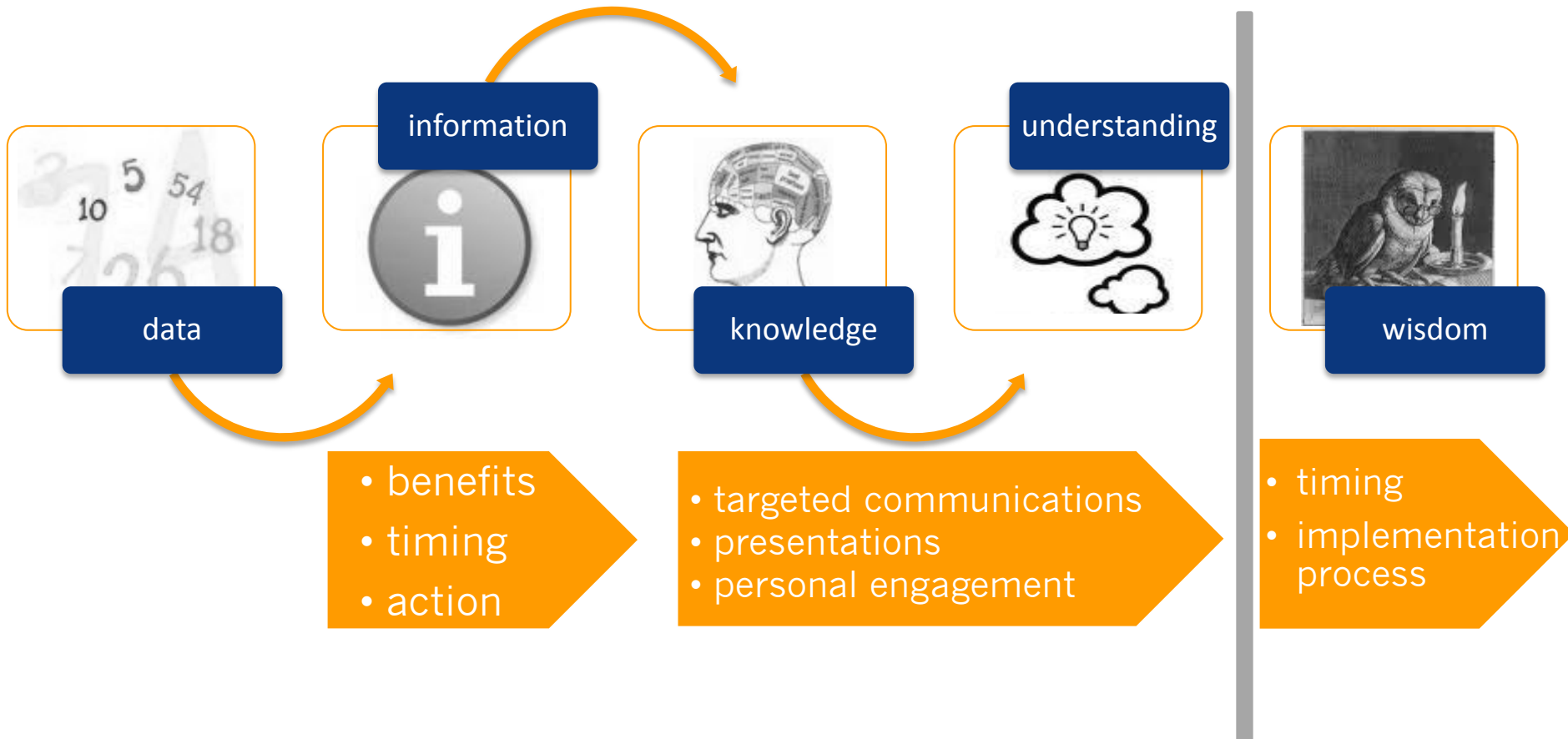


member apathy

“The problem isn’t simply one of education. Even when individuals acknowledge or understand the need to make a behavioural change, inertia and procrastination frequently keep them from taking action”



flow diagram of the wisdom hierarchy



wisdom + action = VALUE

key steps in the process

- ~ what do the members want?
- ~ member level analysis
- ~ a strategic communication process
 - ~ what decisions must members take
 - ~ salary review time
- ~ review



member education & empowerment

- ~ employer committed
- ~ fund consultant committed
- ~ timing is essential
- ~ the medium is vital
- ~ demonstrate understanding
- ~ tangible to the member
- ~ ensure members understand

the right data and process yields
results...



targeted communications case study: accounting firm pension fund

member engagement pre & post communication presentations

~ 2006 to 2008 comprehensive written communication – low engagement

	2006	2007	2008	2009	2010
total membership	82	98	103	125	114
members utilising contribution choice	2	2	3	33 (30%)	38 (33%)
members utilising investment choice	n/a	n/a	n/a	21 (17%)	21 (18%)
number of members requiring > CPI+7% (potential retirement shortfall)	17 (21%)	26 (27%)	25 (24%)	13 (10%)	12 (11%)

~ 2009 targeted communication with presentations prior to salary reviews –

immediate engagement

~ 2010 targeted written communication only – no increase in engagement.

member education & empowerment

- ~ employer committed
- ~ fund consultant committed
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2009	2010
✓	
✓	✓
✓	✓
✓	
✓	
✓	
✓	

effective communication must be
continuous



targeted communications case study: engineering firm provident fund

~2009 membership increased by 39%
after presentations

branches & members electing to join

~13% of members elected maximum
20% contributions

	2008	* 2009	2010
total number of members	102	142	141
members utilising contribution choice	0	11 (22%)	30 (28%)
members utilising investment choice	0	59 (42%)	65 (46%)
number of members requiring > CPI + 7% (potential retirement shortfall)	16 (16%)	23 (16%)	18 (13%)

member education & empowerment

2010

- ~ employer committed
- ~ fund consultant committed
- ~ timing is essential
- ~ the medium is vital
- ~ demonstrate understanding
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engagement is key to participation



targeted communications case study: low income / blue collar industries

~ spend time with all employees

~ help them understand the impact of saving

~ increase in contributions and investment choice

~ members passionate and engaging with employer

	glue manufacturer	light manufacturing	bus company
total number of members	117	57	443
members utilizing contribution choice	22 (20%)	8 (14%)	options rolled out at salary review.
members utilizing investment choice	39 (33%)	9 (16%)	members driving the employers for implementation
number and % of members requiring > CPI +7% (potential retirement shortfall)	29 (25%)	45 (79%)	145 (33%)

member education & empowerment

2010

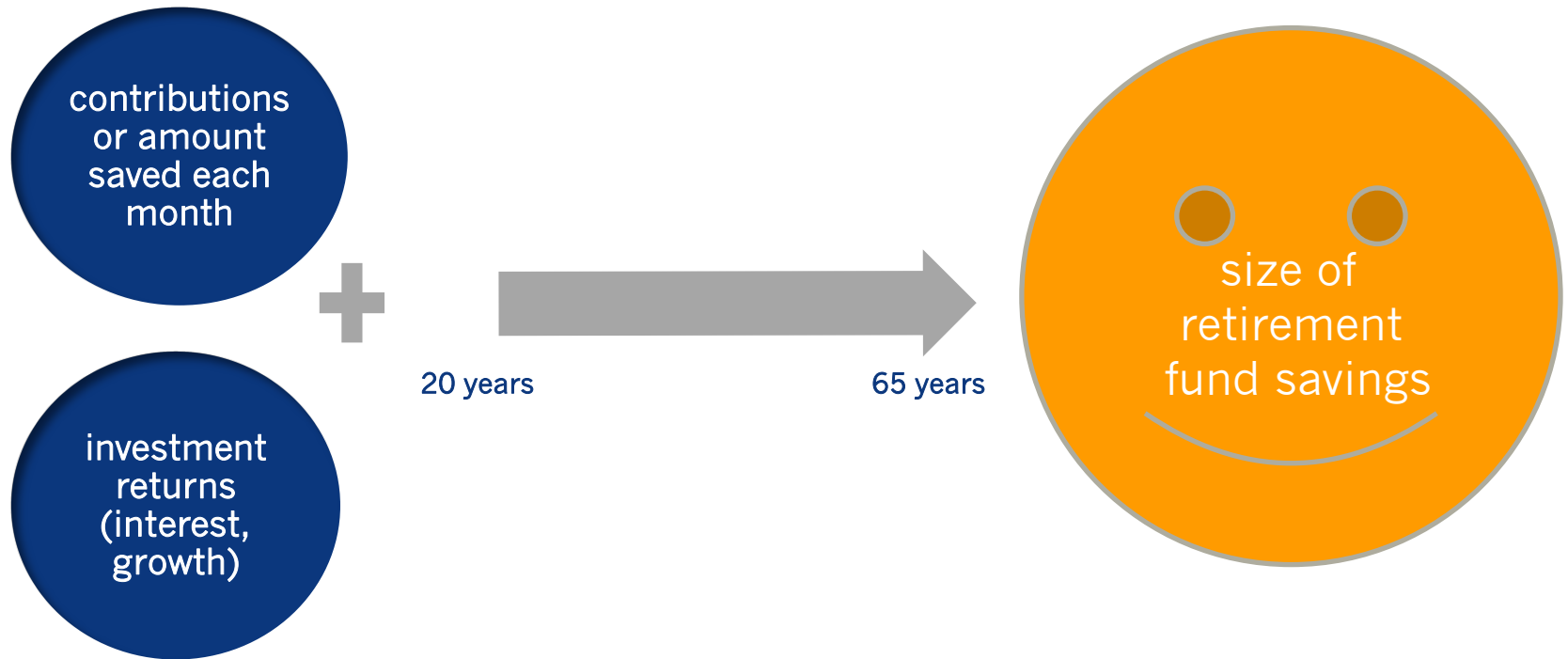
- ~ employer committed
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all South Africans can be affected
by effective communication



how do I grow my retirement savings?

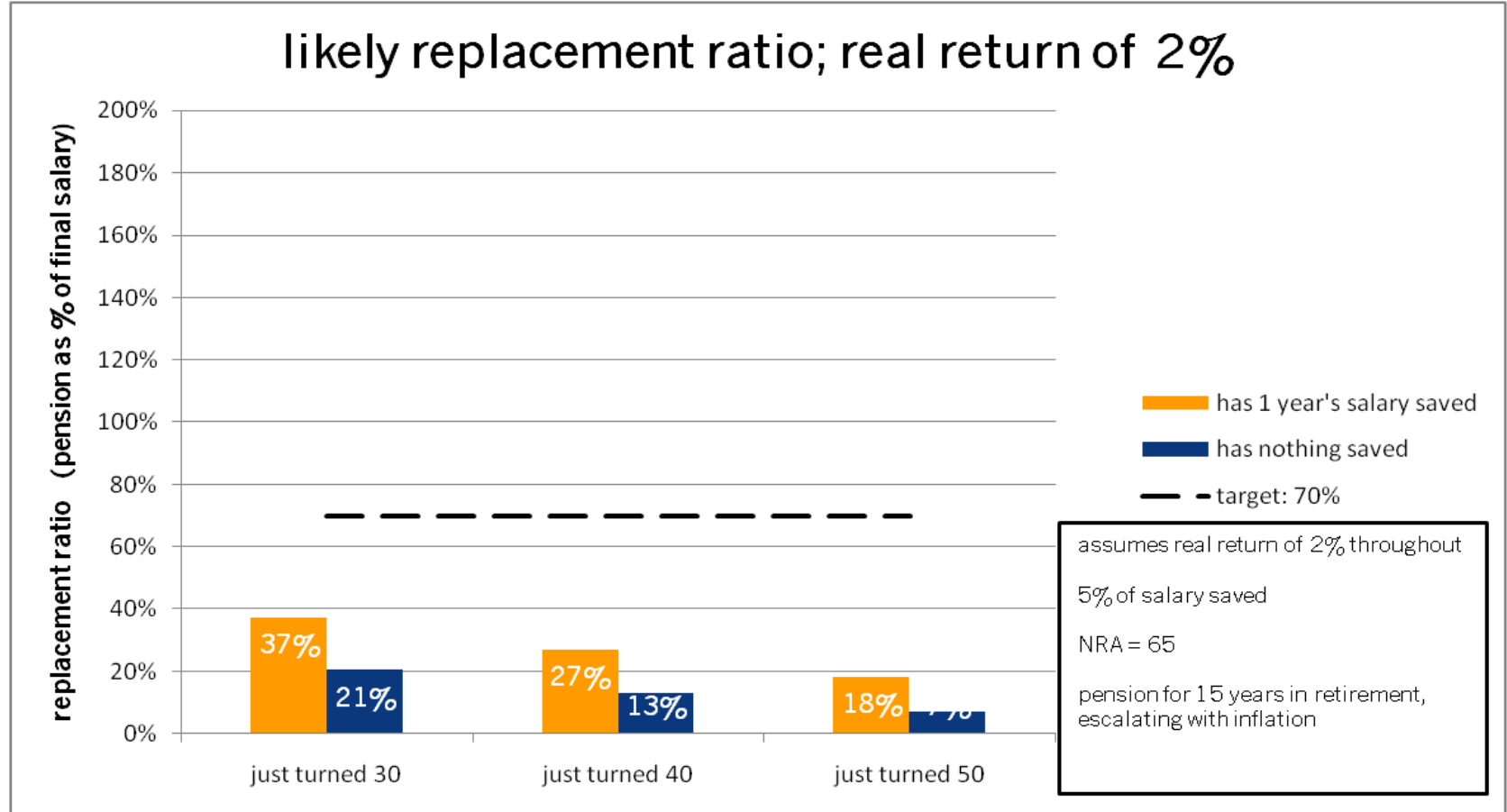


financial independence at 65?

how do you want to live in retirement?

where is the client today?

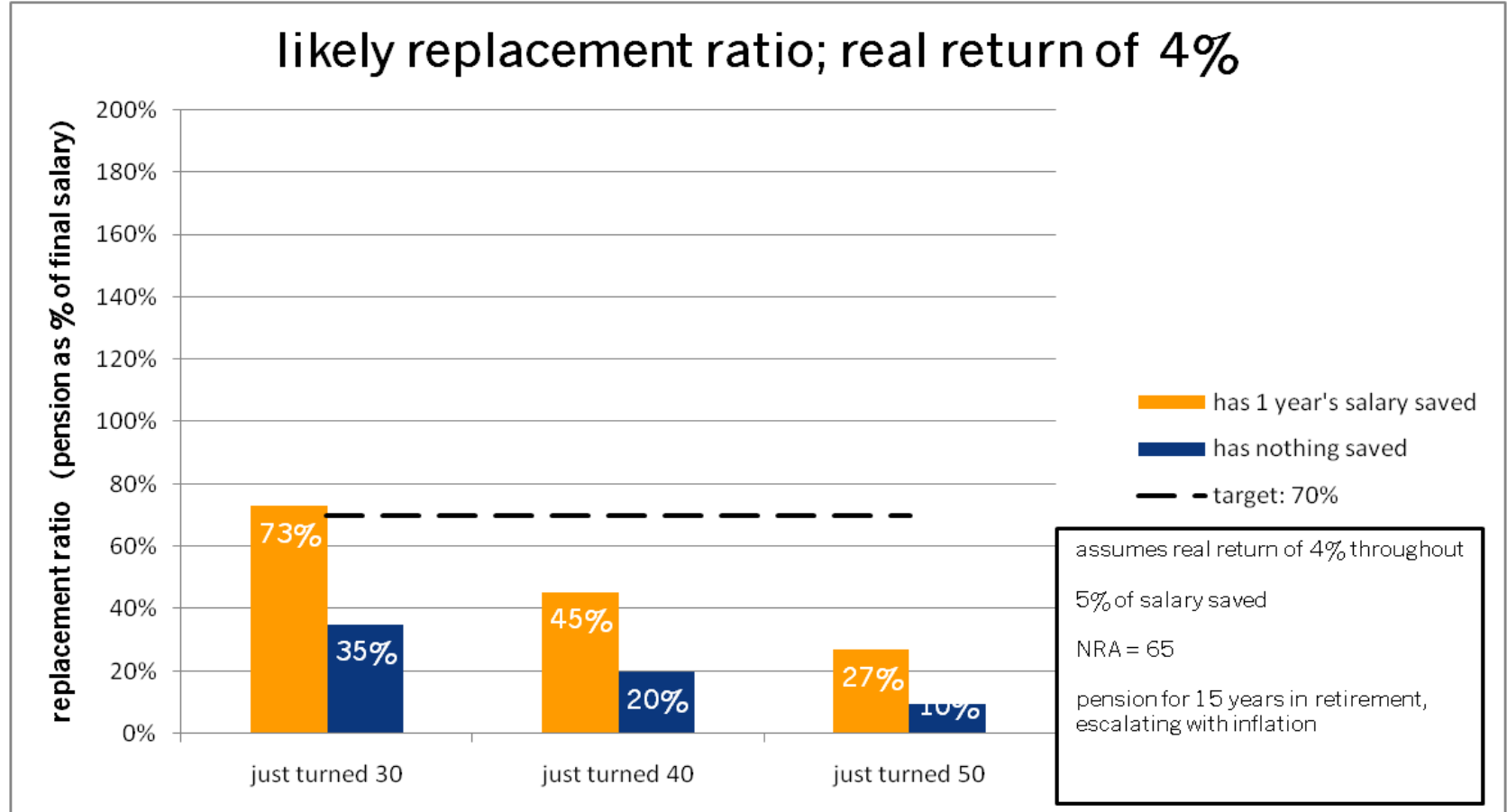
NRA 65 / 5% saved / inflation plus 2%



every client is unique: scenario must be tailored to them

impact of investment choice

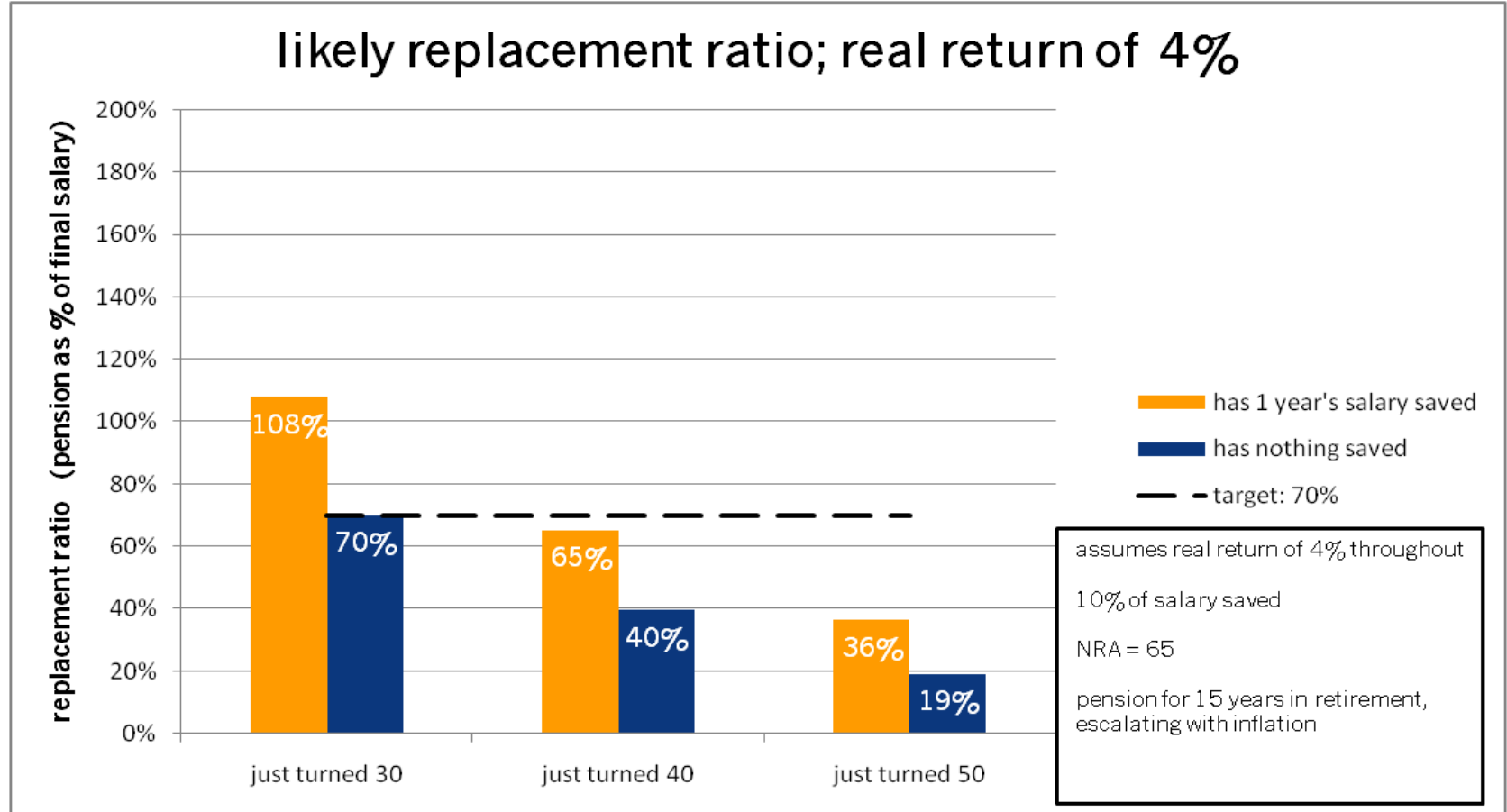
NRA 65 / 5% saved / inflation plus 4%



every client is unique: scenario must be tailored to them

impact of contribution choice

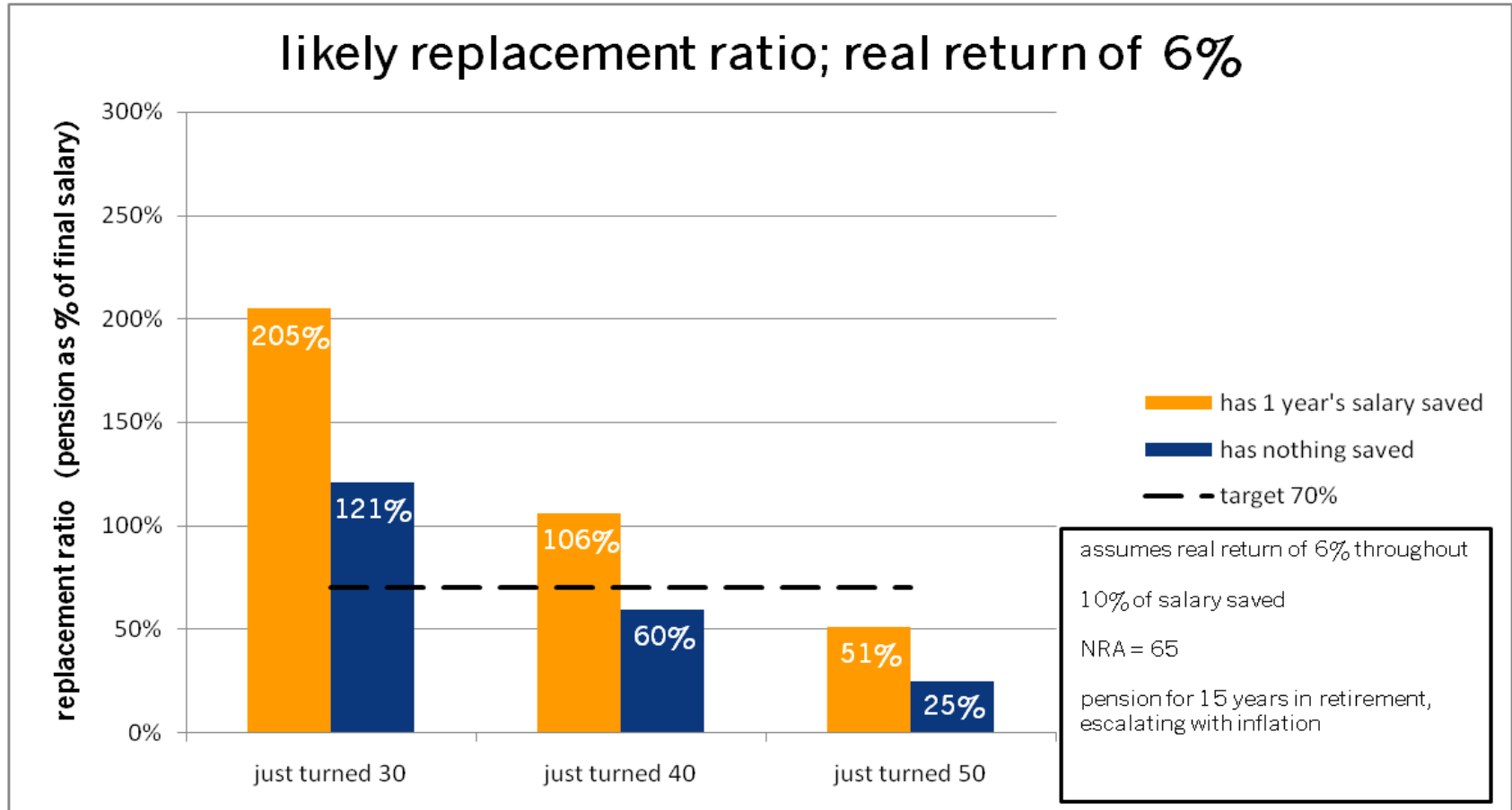
NRA 65 / 10% saved / inflation plus 4%



every client is unique: scenario must be tailored to them

impact of investment choice

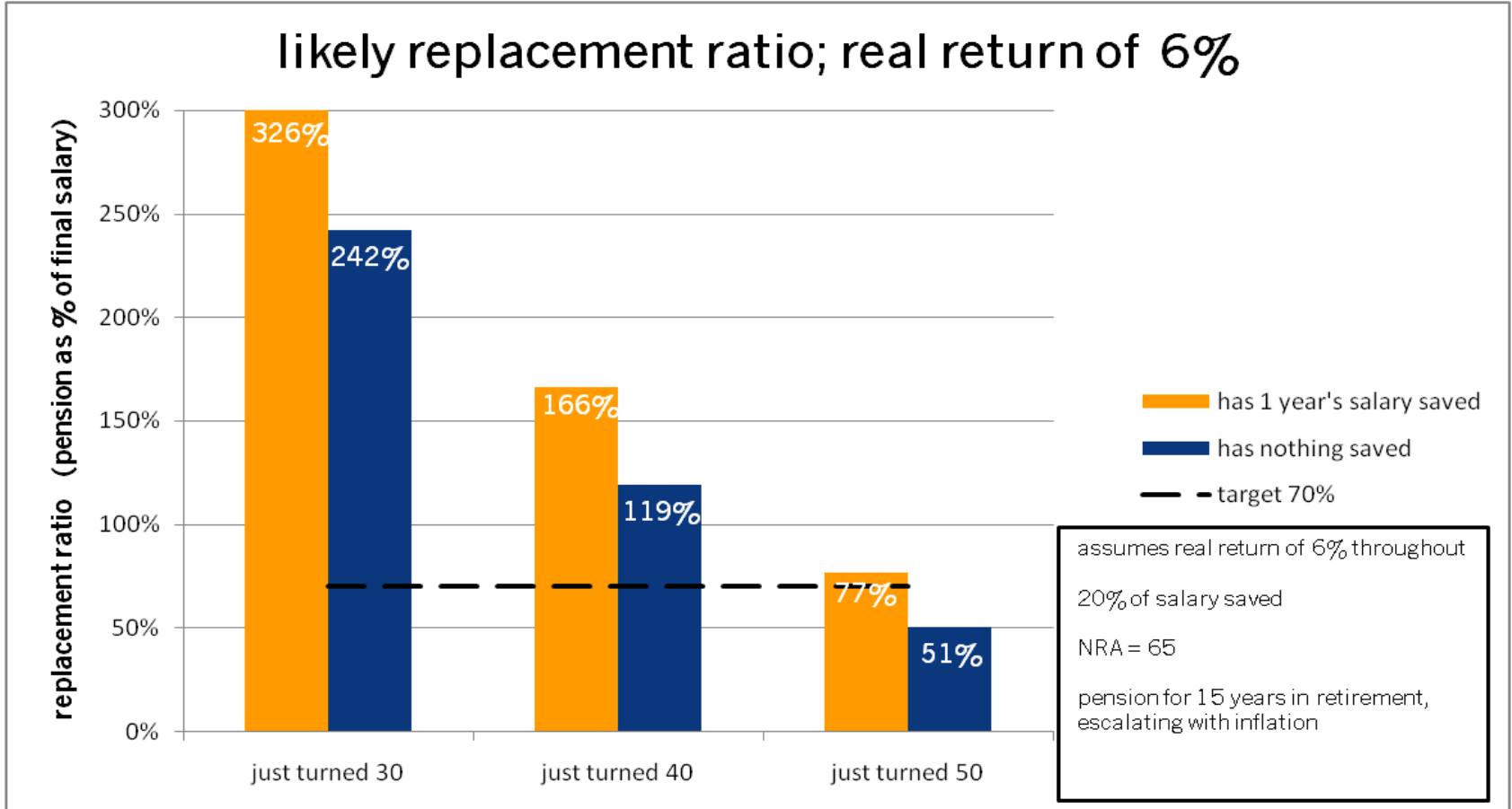
NRA 65 / 10% saved / inflation plus 6%



every client is unique: scenario must be tailored to them

impact of investment & contribution choice

NRA 65 / 20% saved / inflation plus 6%



every client is unique: scenario must be tailored to them

taking ownership



conclusion

- ~ employer committed
- ~ fund consultant committed
- ~ timing is essential
- ~ the medium is vital
- ~ demonstrate understanding
- ~ tangible to the member
- ~ ensure members understand





thank you



employers – taking ownership



consideration	action
retirement fund	value added benefit
replacement ratio analysis	it is worth the money
communication	be part of the solution
engagement statistics	monitor value in the retirement benefit
engagement statistics	demonstrate you are an employer who cares

trustees/PE's – taking ownership



consideration	action
replacement ratio's	guide for investment strategy development
replacement ratio's	targeted communications
consultants	ensure they add value
consultants/service provider	build a strategic partnership
member	the centre of attention

consultants – taking ownership



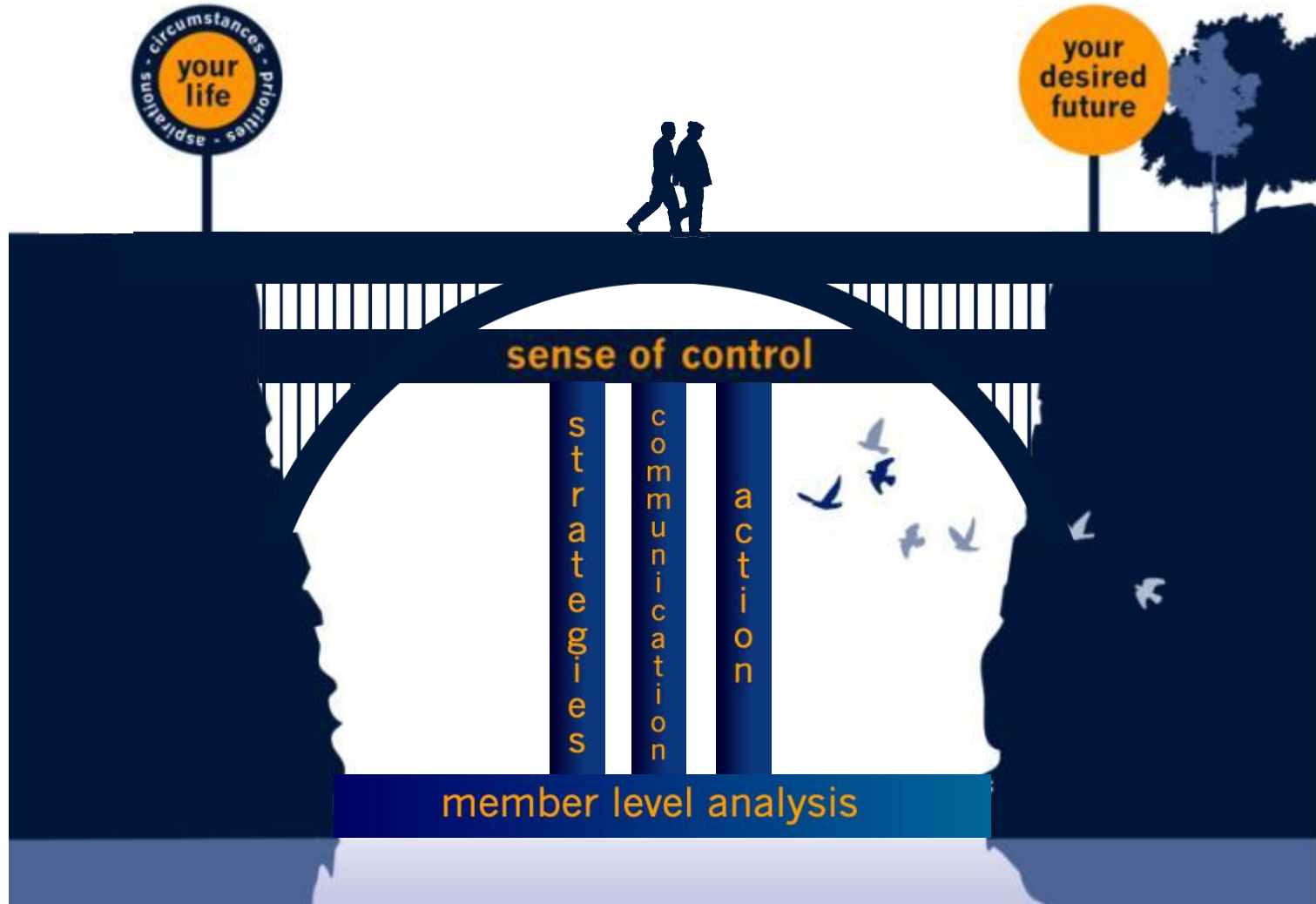
consideration	action
members	centre of attention
clients	go the extra mile
consultants/service providers	collaborate – the strategic partnership
investment consultants	robust analysis work on making the irrational rational

members - taking ownership



consideration	action
contribution options	understand impact of saving more today
life cover	ensure you are insured correctly
investments	impact of making a choice
default fund	appropriate for me?
calculators/tools	use them, they are free!
costs	what are you paying for?
trustees	engage with them – they want you too.

empowering members



effective communication is a strategic process



raise awareness



what benefits



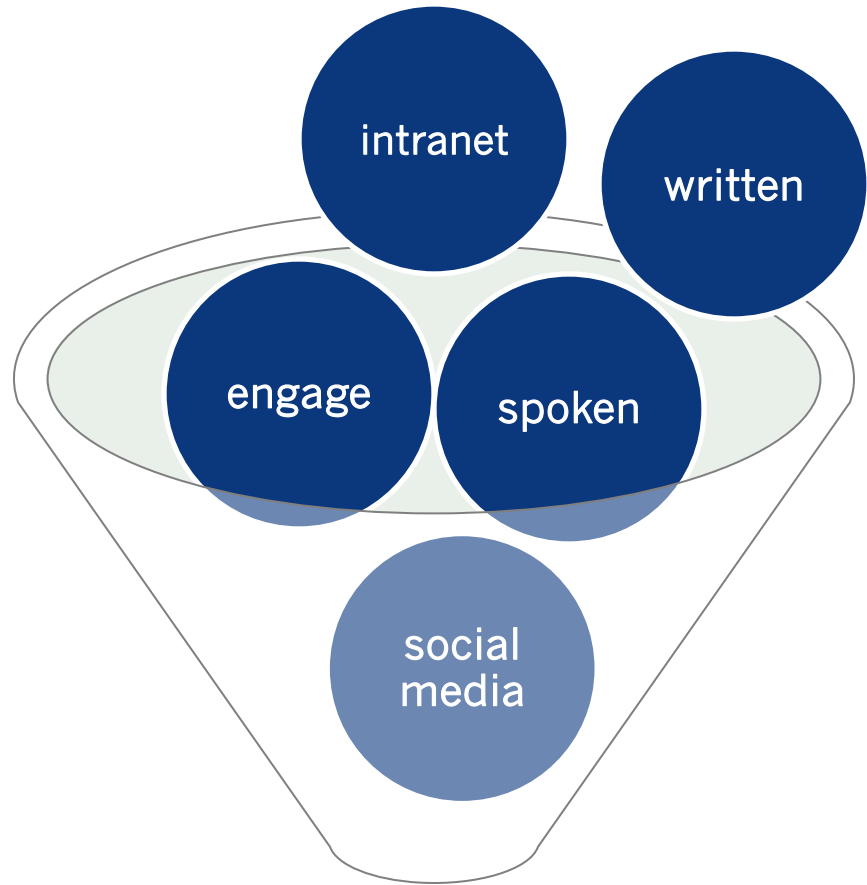
targeted communication



member education



member makes a decision



effective communication is a strategic process



raise awareness



what benefits



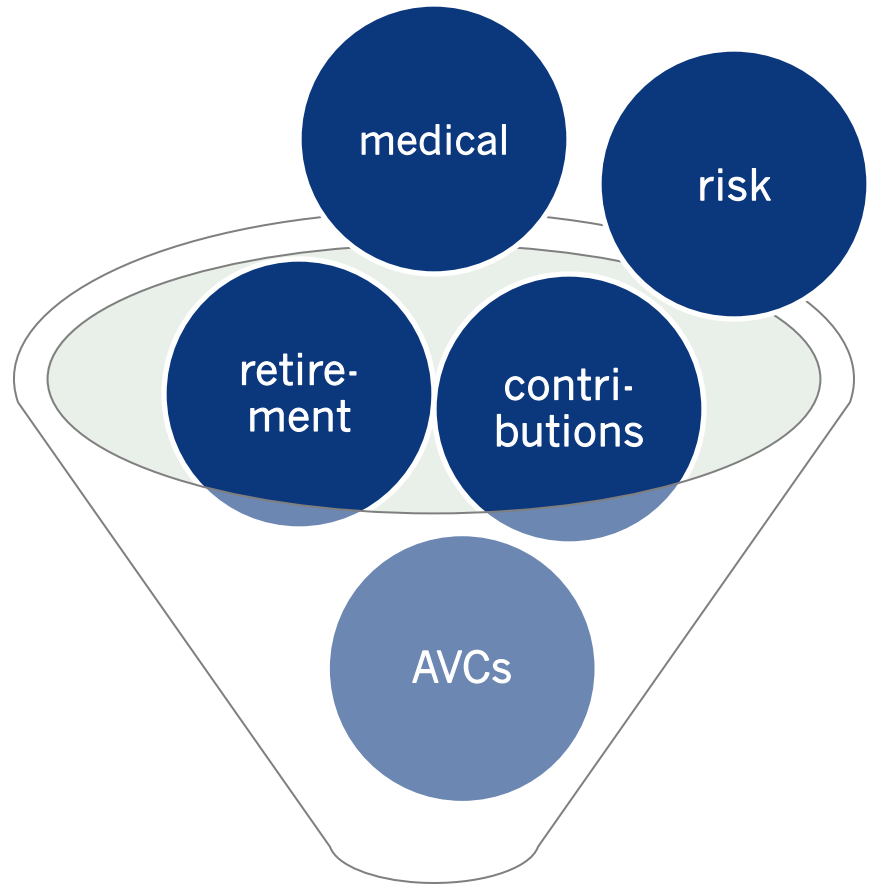
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member education



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effective communication is a strategic process



raise awareness



what benefits



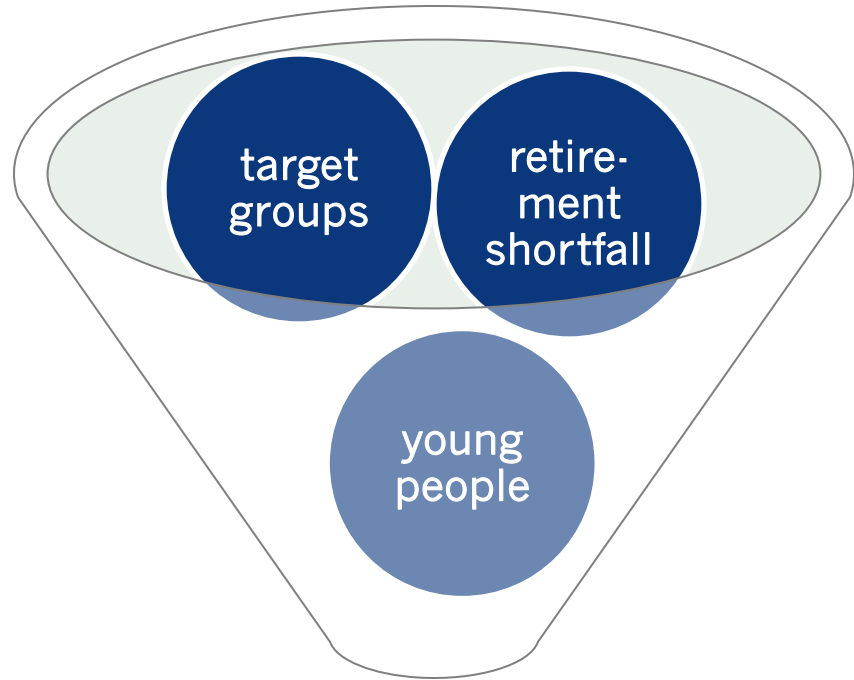
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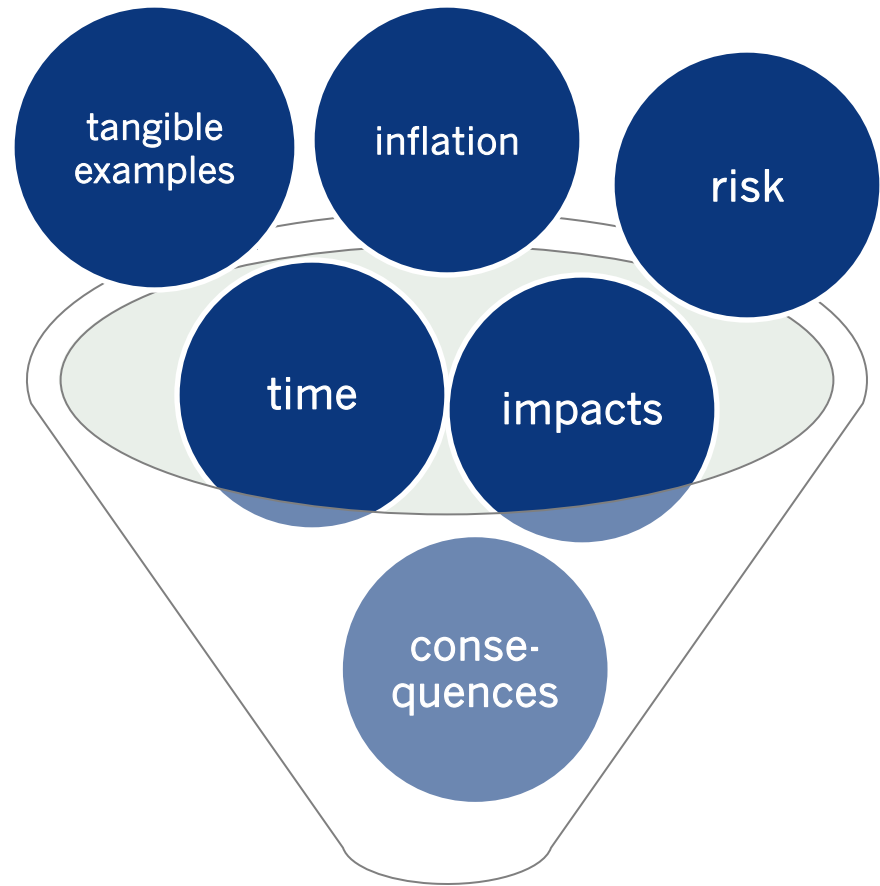
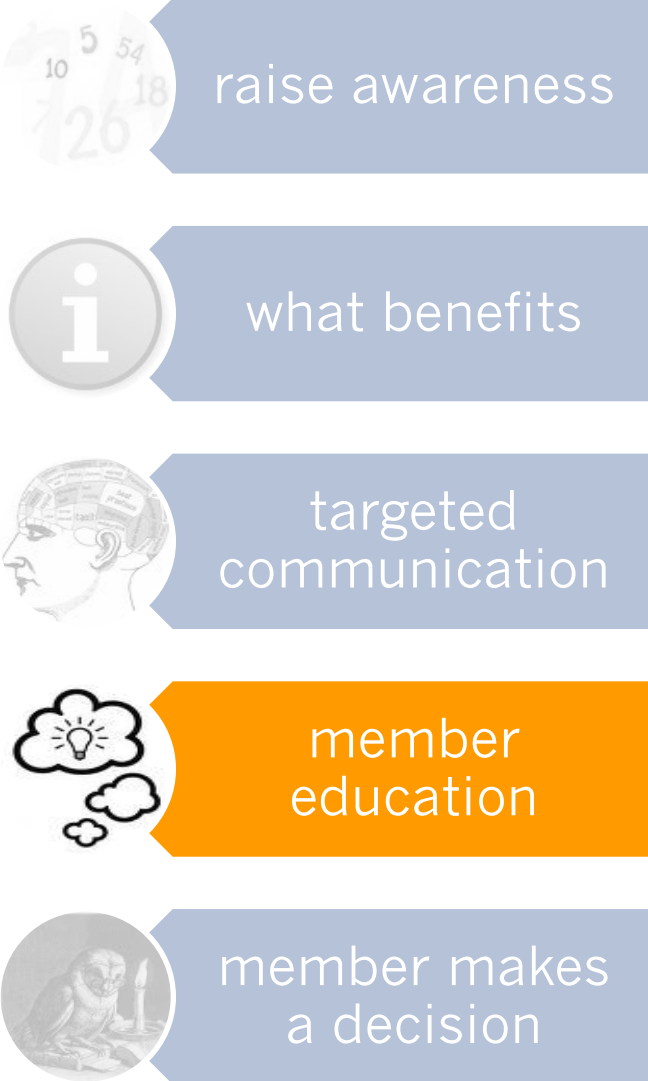
member education



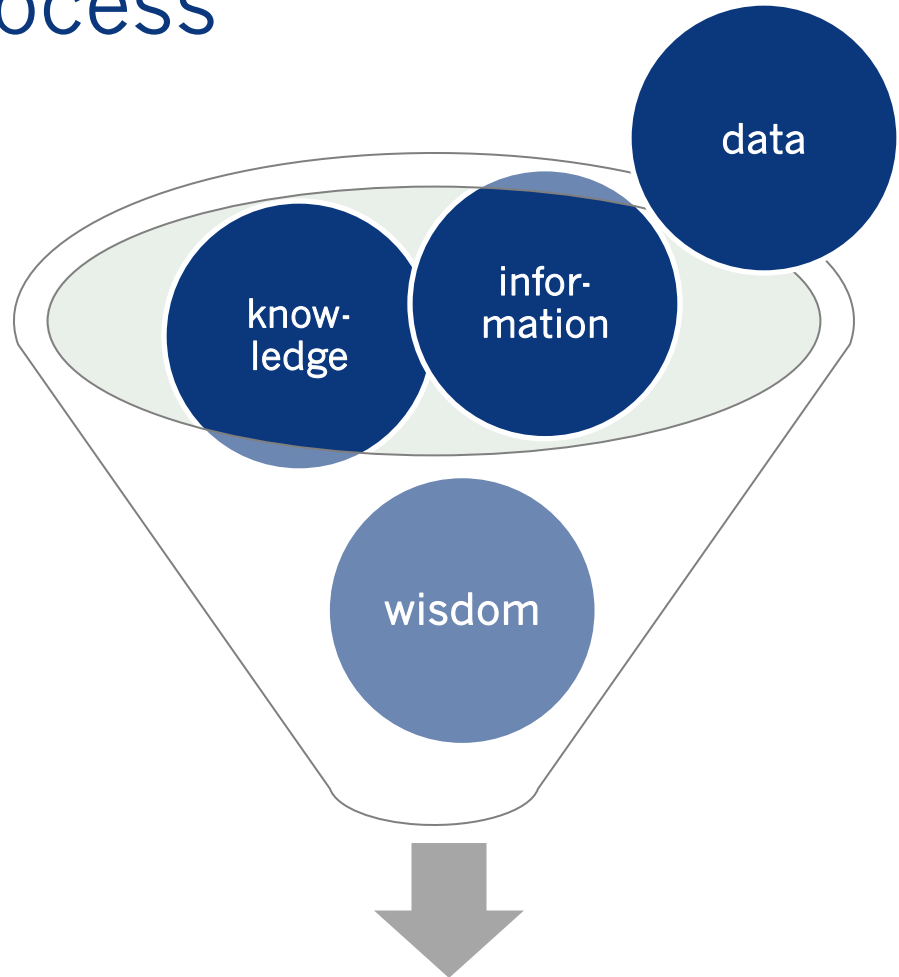
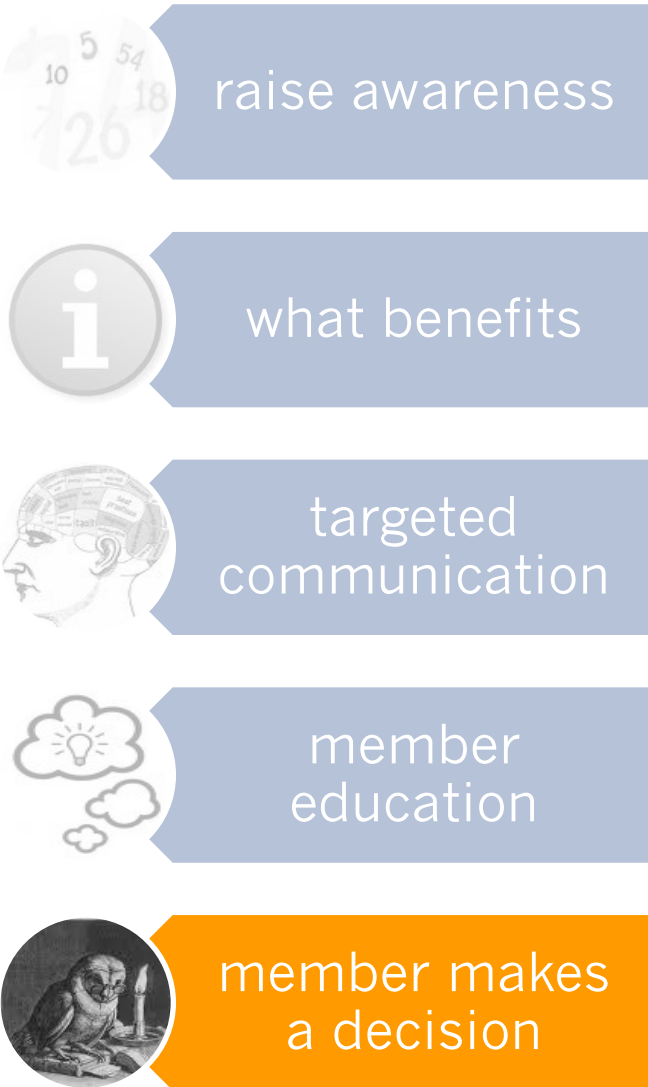
member makes a decision



effective communication is a strategic process



effective communication is a strategic process



member makes decision

review and plan

- ~ track the results
- ~ notice behavioural change
- ~ identify areas of need
- ~ plan next years communication strategy



why the analysis is so important



strategy target	2010	2009
input assumptions		
retirement age	65	65
inflation	6 % p.a.	6 % p.a.
salary growth rate	inflation	inflation
pension as a % of final salary	70%	70%
retirement duration	15 years	15 years
required returns		
inflation	2	1
inflation + 1% to 3%	63	66
inflation + 3% to 5%	25	29
inflation + 5% to 7%	12	16
inflation + 7% to 9%	3	2
target too high	9	11
number of members	114	125