

# MERCER

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SERIES

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## DC

# Helping members adopt the right behaviours

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[www.mercer.com](http://www.mercer.com)

# Current challenges

**Employers**

Workforce management & benefit adequacy  
Employee motivation  
Cashflow  
Personal accounts  
Value for money  
Overall costs

Resource constraints  
Asset & revenue falls  
Solvency  
Personal accounts  
High competition but low assets

**Providers**

**Employees**

Failing providers  
Competing financial demands  
Differing needs  
Benefit adequacy  
What to do next  
Where to go for help  
Trusting the Government

New investment options  
Falling investments  
Member queries  
Risk of communicating/not  
Failing providers  
Communication or education?  
Widely differing membership

**Governors/  
trustees**

## Current challenges: What we know about participants

Fear of loss will stop individuals opting out of passive decisions

People do not make active pension decisions

They don't make rational decisions

Too much jam is confusing for members

Individual personal circumstances differ enormously

There are different types of consumer – spender, saver, investor, planner

**Members are generally passive**

**Current challenges:**  
How are members responding?

**Savings**

- **Not leaving plans**
- **Saving less**

**Investments**

- **Defaulting to equity**
- **Staying with equity**

# Practical solutions

Employer

Employee

Move to matching contributions

Move to profit share

Shift cost to members

Trust to contract

Temporary contribution reductions

Save more tomorrow

Provider review

Alternative savings programmes

Enhanced & relevant investment opportunity

Salary sacrifice

Trust and contract

Relevant and targeted communication

Financial advice

Modelling tools

Contract to trust

Decumulation process review

Flexible retirement



## **Case study: CSC Jenny Davidson**

## CSC all employee survey – current challenges



Younger employees not using potential employer contributions

70% don't know how much to save

63% think other investment will supplement their pension income

50% don't think CSC is doing enough to help them

45% have taken financial advice and 89% would if this was made available by CSC

However, only 33% would be prepared to pay for it

## Management summary of employee focus groups



CSC employees expressed a strong need for better long term financial advice, planning and management

They want to be educated in an easy, accessible and simple way

Majority of CSC employees trust their employer and would have confidence in a provider/IFA endorsed by their employer

The challenge is to make the pension scheme and other financial benefits as attractive and engaging as current lifestyle benefits

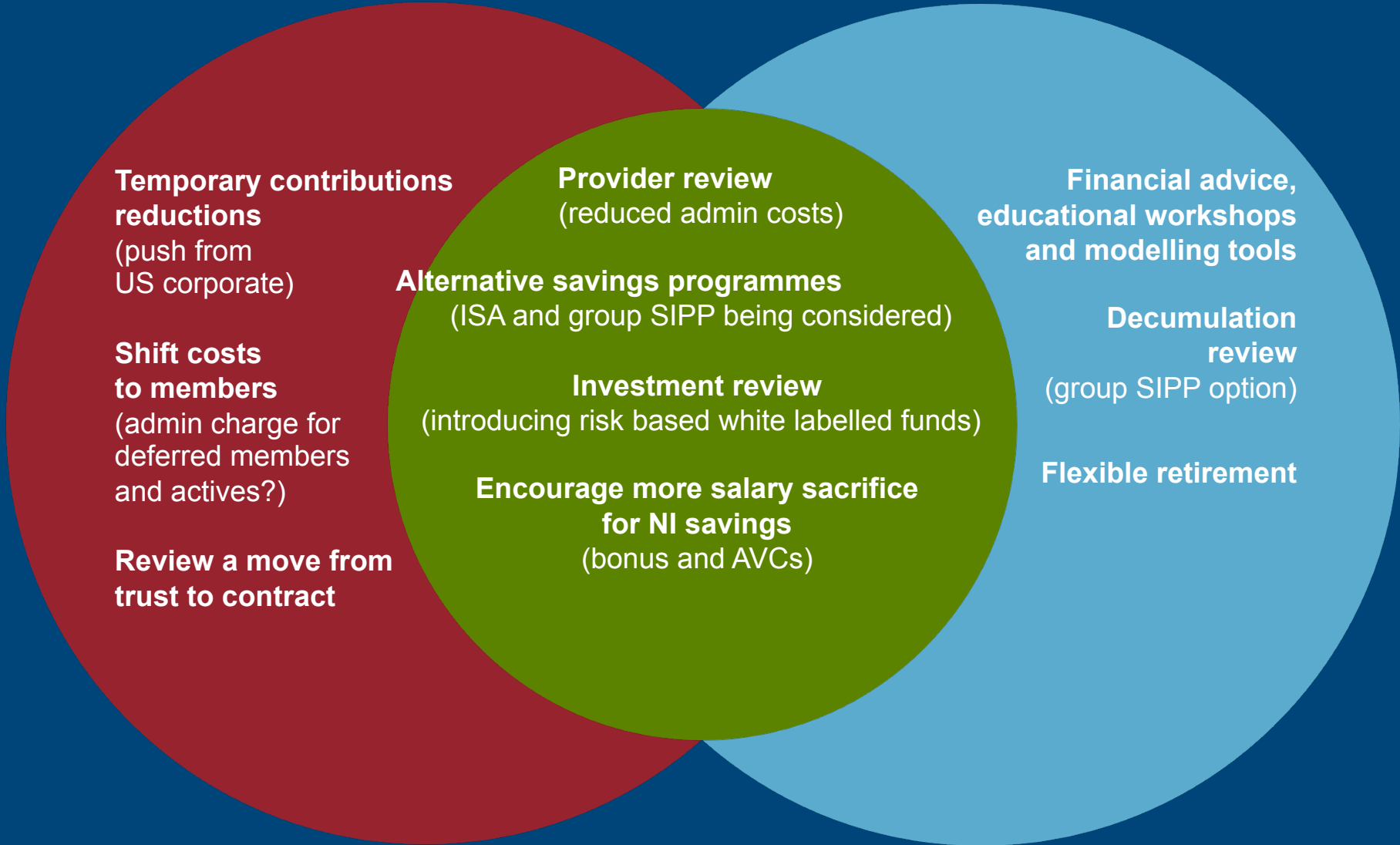
Strong need for appropriate communications that are relevant & motivating to the customer segment

# CSC possible interventions in the current climate



Employer

Employee

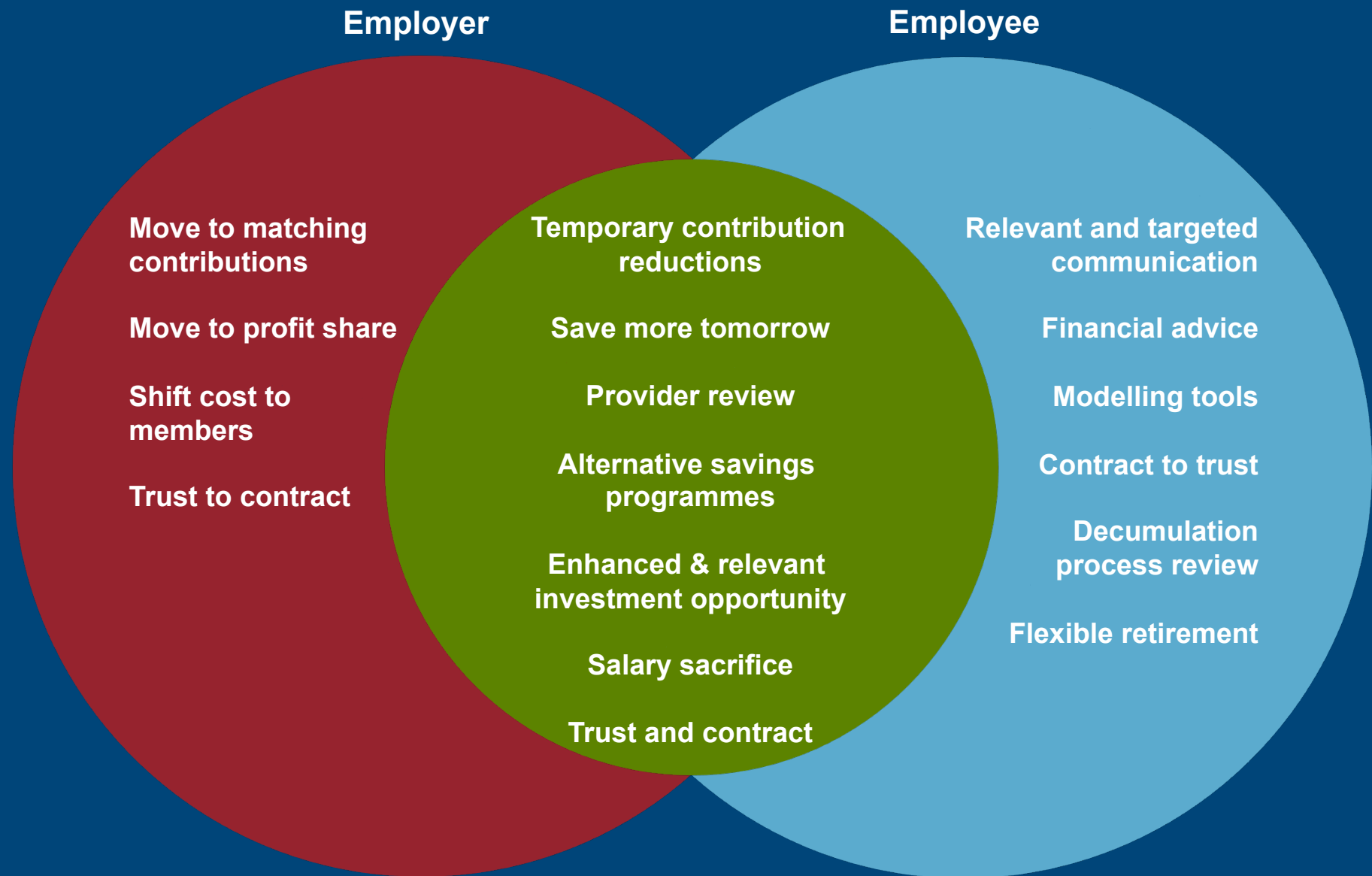




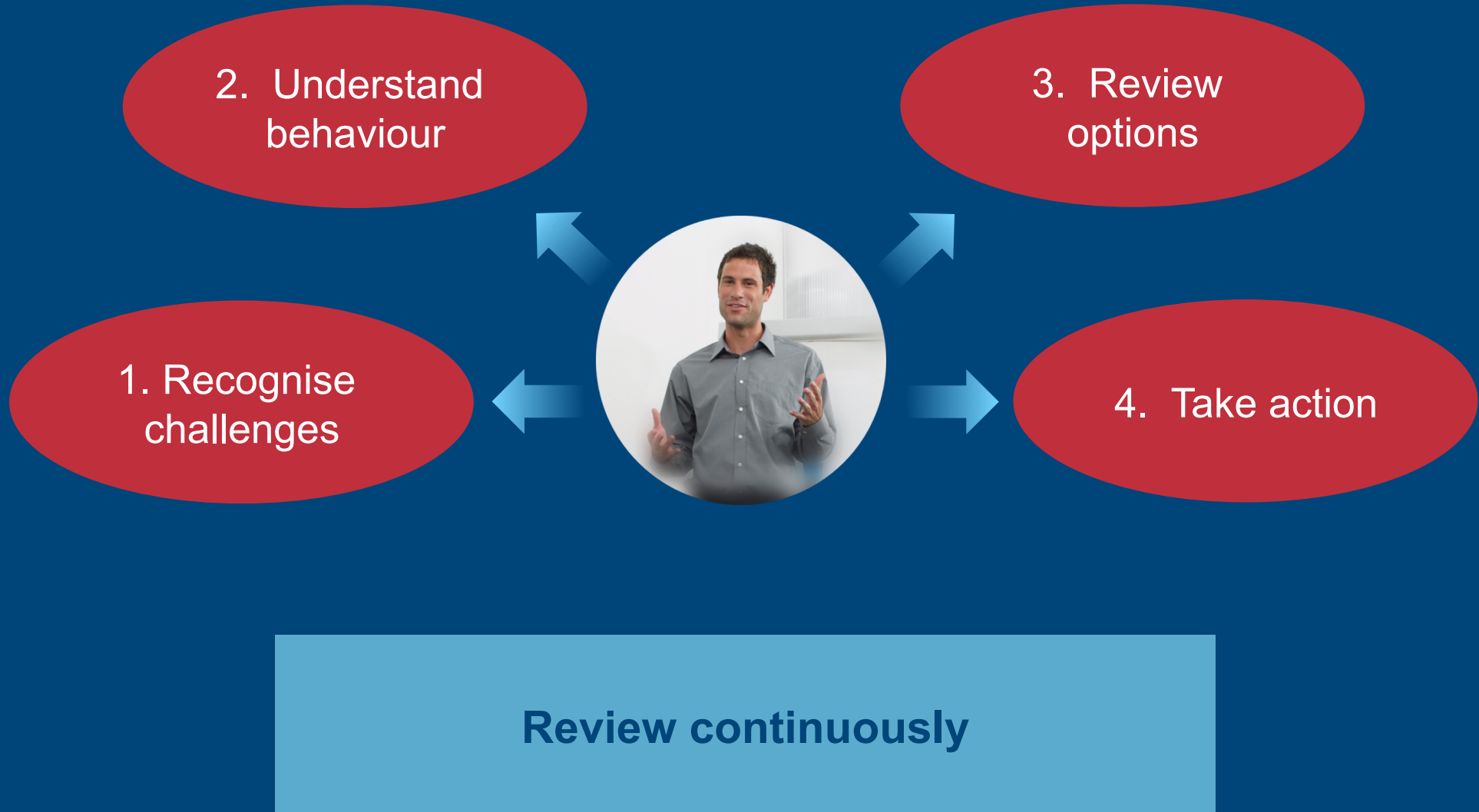
# Facilitated discussion

- Tony Pugh
- Jenny Davidson

# Practical solutions

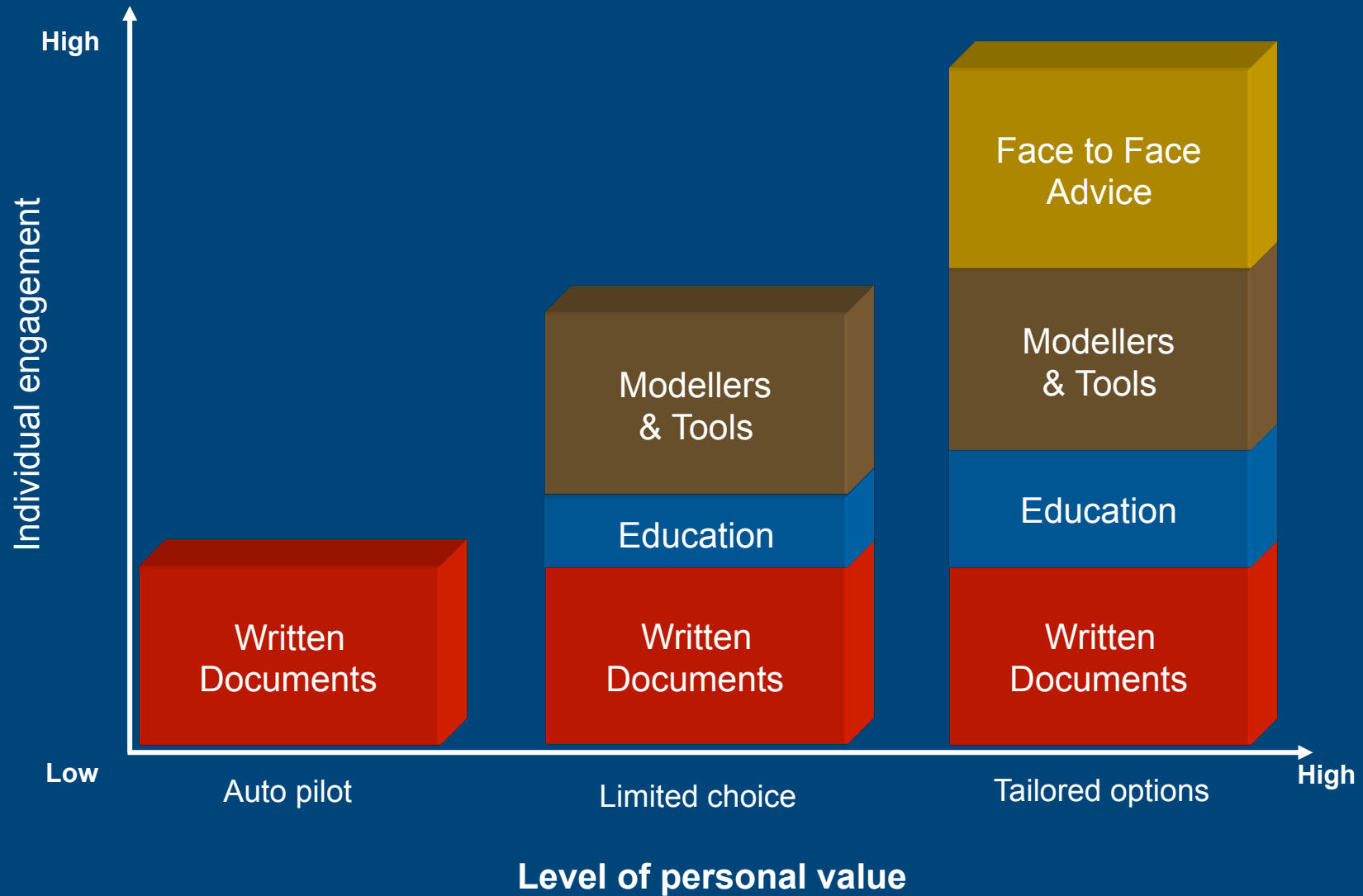


## Summary and actions






# Appendices



# Communication techniques: what works and what doesn't

Appendix II

	Aware	Understand	Accept	Act	Change
Posters	Very effective	Ineffective	Ineffective	Ineffective	Ineffective
Direct mail	Moderately effective	Ineffective	Ineffective	Moderately effective	Ineffective
Video	Moderately effective	Moderately effective	Ineffective	Ineffective	Ineffective
Email	Moderately effective	Moderately effective	Ineffective	Moderately effective	Ineffective
“Disclosure” literature	Moderately effective	Moderately effective	Moderately effective	Moderately effective	Ineffective
Online literature	Ineffective	Very effective	Moderately effective	Ineffective	Ineffective
“Guidance” literature	Moderately effective	Very effective	Moderately effective	Moderately effective	Moderately effective
Helpline	Ineffective	Very effective	Very effective	Moderately effective	Moderately effective
Modellers	Very effective	Very effective	Moderately effective	Moderately effective	Moderately effective
Personalised statements	Very effective	Very effective	Moderately effective	Moderately effective	Moderately effective
Face to face	Very effective	Very effective	Very effective	Moderately effective	Very effective
Personal advice	Very effective	Very effective	Very effective	Very effective	Very effective

 Very effective


 Moderately effective

 Ineffective

http://10.192.86.111/GreenLightPreview/MyViewRetirement2.html?index=2 - Microsoft Internet Explorer

File Edit View Favorites Tools Help

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? I am **41** years of age and plan to retire at age **65**.

? My annual salary is **\$200,000**.

? My salary will increase by about **2.0%** each year.

? My current savings total about **\$40,000**.

? I contribute **5%** of my salary to savings.

? My employer matches **50%** of my savings up to **6%** of salary.

? My employer makes non-matching contributions of **0%** of salary.

? I expect my investments to grow at **5.0%** per year.

? I expect fixed pension income of about **\$10,000** per year.

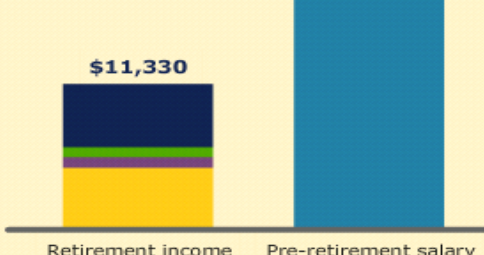
? Include estimated Social Security income?  **Yes**

[View assumptions made by the tool](#)   [Reset Values](#)

### Are you on track for retirement?

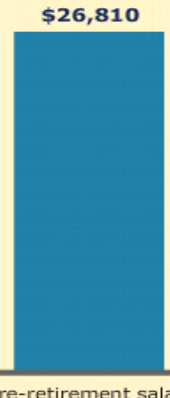
If you retire at age **65**, your estimated monthly income could be approximately **\$11,330**, or **42%** of your pre-retirement salary.

**\$11,330**



Retirement income

**\$26,810**



Pre-retirement salary

**42%**

- New savings: **\$5,040 / month**
- Current savings: **\$790 / month**
- Pension: **\$830 / month**
- Social Security: **\$4,670 / month**
- Pre-retirement salary: **\$26,810 / month**

**Start saving today!**

If you would like to make changes to your account based on the results of this tool, go to the account management section of your plan's website, then select "Change How Your Money Is Invested" from the left navigation bar.

Important: This tool is designed for informational purposes only and does not constitute investment advice. You should consult with a professional investment advisor on your individual retirement situation.

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