Analysing your DC members to deliver better solutions

▾ **Sophia Singleton explains how the use of member analytics can improve DC schemes' investment and communication strategies**

Aon's *DC Survey 2016* found that 43 per cent of members strongly follow their employer's lead when asked about their approach to pension savings, highlighting the importance of employers and trustees in delivering members' future ambitions and goals. However, as the demographic make up of scheme members varies, there will be a divergence in expectations and requirements. From annual salary, to ambition and goals, to gender and age, there are a lot of considerations. Therefore it is vital to set a strategy for your DC plan that works with your specific members' needs in mind.

DC analytics can help analyse your scheme membership profile to ensure that you set an appropriate investment strategy and target your communications to maximum effect.

Determine the goals

The first step is to determine the goals and objectives for your DC plan.
• What is important to you and your members?
• What are the key metrics for determining a 'good' outcome?

Often we talk with our clients about target replacement ratios, ie, the level of income a member would receive as a proportion of salary at retirement. Historically for defined benefit schemes this could have been as high as two thirds; however with defined contribution schemes this expectation is far lower, and will vary considerably by member.

Are members on track?

Using up-to-date membership data, fund values are projected to understand the standard of living members will be achieving in retirement. It is then possible to model alternate strategies to identify if better member outcomes can be achieved by looking at both the risk and return members face. It is all about understanding member characteristics, behaviours, preferences and risk tolerance – how might this vary for different groups? Which strategy would be appropriate for each one?
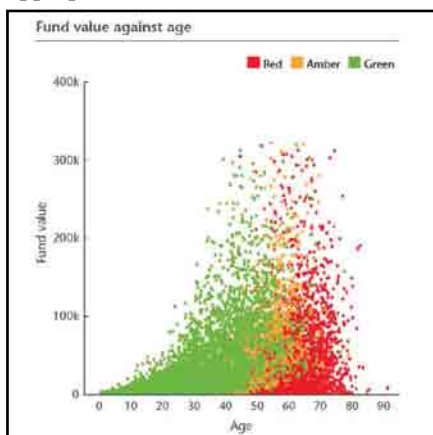
Consider the diversity

If many members are falling short of the target, are there any common traits? The analysis can be split between various categories, eg, salary level, site, contribution level – and these characteristics can be used to develop an alternative strategy. For example:
• If members are young, could they be taking on more risk at the start of their retirement journey than the current strategy allows?

• Your DC scheme is at the heart of your members' retirement savings.
• Employers and trustees are expected to set the right strategy to deliver good outcomes for your members.
• Check whether your members are on track.
• Consider the diversity of your members.

• Is the contribution rate a barrier to achieving good outcomes?
• Can you engage with certain groups to influence behaviours?
• Would the membership prefer a flexible solution or a steady income in retirement? This can help to shape alternative solutions for all or a subset of members.

We believe that understanding your members in this way is crucial if you are to deliver better solutions that meet their needs – whether these solutions focus on the default investment strategy, member communications or options for retirement spending.

If you would like to find out more about using DC analytics for your scheme, please contact us at talktous@aonhewitt. com or call us on 0800 279 5588. You can download a free copy of Aon's 2016 DC member survey at aonhewitt.co.uk/ dcpensions.

▸ **Written by Sophia Singleton, partner and head of DC consulting, Aon Hewitt**

In association with

AON
Empower Results®