

Member Outcomes Tracker

NOVEMBER 2021

Putting market moves into context for DC savers

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’s perhaps understandable that members can become confused and disengaged from their pension without help. At Hymans Robertson, we use our Guided Outcomes technology to help members address these types of question and set savings strategies that have a good chance of achieving their retirement goals.

It’s important that DC members continue to engage with their pension throughout their savings journey because changes to personal circumstances and unexpected changes in markets can impact outcomes. But understanding the potential consequences of today’s changes in markets on your pension in many years’ time is difficult; indeed, the tumultuous events of the last two years have emphasised that challenge and are a reminder of just how quickly things can change.

With that in mind, we developed our Member Outcomes Tracker to monitor how market events and fund performance have impacted the future retirement incomes of DC savers. Our goal is to put market events into context and help answer the question all members have: “What does this mean for me?”

Tracking member outcomes

As an example, let’s consider three typical savers and examine how their pension outcomes have fared since the start of the pandemic:



Jasmine is 25 and in the early part of her savings journey so she has a modest level of savings.

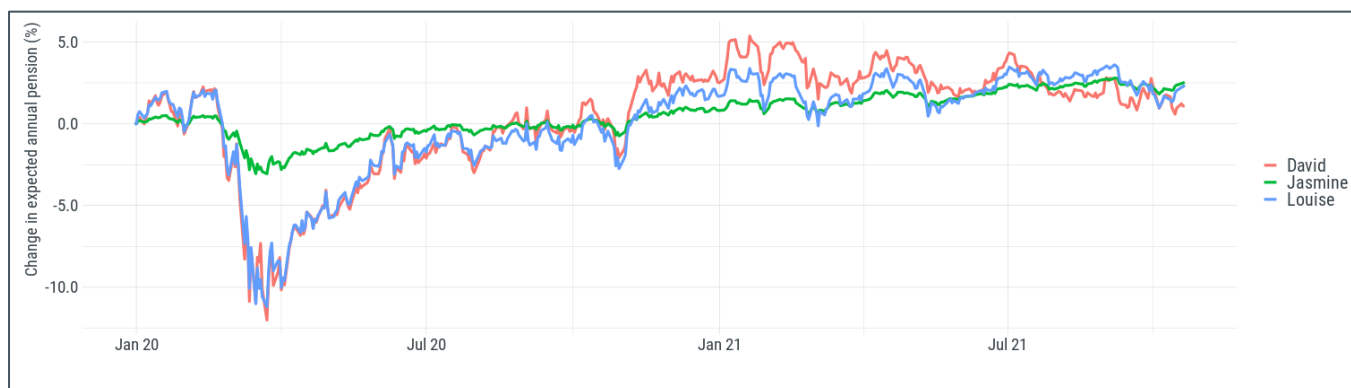


Louise is 45 and midway through her savings journey; she has a reasonably sized fund and is hoping for good investment returns in the medium term to build up her pot.



David is 60 and plans to retire soon. His fund value is high and, because he invests in a lifestyle strategy, his savings have started to move into less risky assets.

The Member Outcomes Tracker below shows the percentage change in each member's expected pension (relative to the position at end December 2019) since the emergence of COVID-19.



Member Outcomes Tracker based on market data to 20th October 2021

Assessing impact and engaging members

- Jasmine has been least impacted by recent events; the equity market low during March 2020 resulted in only a marginal fall in her expected retirement income and she is now slightly ahead of where she could have expected to be at the start of the pandemic. Jasmine's future contributions and investment return in the many years she has left until retirement are expected to largely offset the impact of short-term market volatility.

During times of market stress, Jasmine should be reminded about the importance of her contributions and that pension saving is for the long-term. Shocks and recoveries will inevitably happen between now and when she retires but won't necessarily have a significant impact on her pension.

- Louise is still heavily invested in growth assets and has a reasonably large pot size, which has been exposed to the equity market decline. Her expected pension income fell by more than 10% during March 2020 but has since recovered well.

Louise may be concerned about the reduction in the value of her fund during future market downturns and the extent to which she can recover any losses. During such times, Louise should understand that she has different choices available. 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 still has some time on her side and could choose to weather the storm, which would have proved a sensible strategy in recent months.

- While David has benefited from a more defensive investment approach, he is particularly vulnerable to large falls in the value of his fund because he has little time to recover losses.

David will require guidance during periods of market turmoil when he may be concerned about the impact on his pension pot and the plans he has for retirement. David should understand that his investment strategy is designed to protect the value of his fund, but also how changes to his savings might impact his retirement options.

Please contact [Darren Baillie](#) or your usual Hymans consultant if you'd like to use the Member Outcomes Tracker, or if you have any questions.