

# 1. Why Member Watch?

Millions of South African employees rely on the money saved in their employer's retirement fund to provide them with an income in retirement. For many people, this is their only formal savings for retirement. Unfortunately, too often, this money is not enough to sustain them in retirement.

There are several factors that when combined, affect the income a member gets in retirement from a defined contribution fund. These are:

- the overall level of contributions made to the fund
- expenses deducted for risk benefits and administration costs
- investment returns after fees
- the portfolios that the member is invested in
- how the member's salary has progressed
- how much is lost to non-preservation along the member's saving journey
- how much of the retirement savings is used to generate an income
- how much pension each rand of savings can buy at retirement

Member Watch analyses membership activities and relates the behaviour back to the above factors. The effect of these factors on the expected income in retirement can be analysed and remedial action taken. Each of these factors needs to be given attention for the fund to be a success: where members are reaching a financially secure retirement.

## How do funds measure themselves and see if they are a success?

Member Watch provides funds with industry and sector benchmarks and desired outcomes to compare their outcomes, such as replacement ratios. It's also made available so that trustees and retirement fund custodians can use the research insights to inform their decision-making about:

- the level of contributions being made to funds
- group insurance benefits available to members
- investment options available to members

It's also used to encourage members to preserve their savings when they change jobs to improve members' pension outcomes.

The information in Member Watch is divided into economic sectors to help employers and trustees benchmark their benefit offering against employers in their sector.

Importantly, the information can also inform members of the amount they should be saving to reach a reasonable benefit in retirement.

