

## 10. Conclusion

This Member Watch can be used together with a LifeGauge analysis to provide trustees with even more information and insights when reviewing the benefit design of their funds. This will assist trustees in setting appropriate objectives and then monitoring the outcomes that members experience and improving on these outcomes.

Funds, trustees and employers should ensure that the fund helps members address each of the issues around these factors affecting members' pensions contained in this Member Watch.

Some suggestions for funds:

1. Review the level of pensionable salary that members use, communicate it and educate the members on this issue.
2. Encourage members to review whether their retirement savings are on track by facilitating access to a financial adviser.

3. Allow members to make additional contributions to the fund.
4. Allow members to change the level of the risk benefits they have if they need to reduce expenses.
5. Encourage preservation for exiting members and offer an in-fund preservation solution to assist them.
6. Goals-based investment strategies, particularly those that are individualised, can add an element of certainty to the pension income outcome.
7. Fund-provided solutions, such as the Alexander Forbes Retirement Income Solution, have been effective at improving preservation behaviour.

It's just as important for members to participate in these issues and take responsibility for their own financial well-being.

## 11. Assumptions

To calculate an expected replacement ratio for an individual member, various factors affecting the replacement ratio must be modelled. The model has been based on the following assumptions:

### Inflation

No explicit assumption is made about future inflation. Instead the projections are based on increases after inflation.

### Preservation

No allowance is made for losses if members did not preserve their retirement savings before retirement, except where we state explicitly.

### Salary increases

Salary increases are assumed to be 2% above inflation.

### Purchase of a pension at retirement

Male members are assumed to be four years older than their spouse. All members are assumed to use all their retirement fund savings to buy a with-profit annuity at retirement. The actual gender of the member is used. The annuity includes a 50% spouse's pension and has a guarantee period of five years. A realistic set of assumptions (in line with the Alexander Forbes house view) is used to project replacement ratios.

### Investment returns

Unfavourable scenario: inflation +3%  
 Expected scenario: inflation +4.5%  
 Favourable scenario: inflation +6%