



# Global Defined Contribution Virtual Conference Series

23, October 2024



# Agenda

1. Regional outlooks – APAC, EMEA, LATAM, North America
2. Overview of Governance in DC Context
3. Member Engagement Overview
4. Retirement adequacy
5. Investment in DC Schemes
6. Summary

# DC focus in APAC – financial security runs through the employer

## Retirement plans have become key

My retirement plan....

...was an important reason I **decided to work** for my current employer



...is an important **reason I stay** with my current employer



Source: 2024 Global Benefits Attitudes Survey, Asia Pacific; 2023 Benefits Trends Survey, Asia Pacific

## Employees want and need help



**75%** of employees **saving less for retirement** than they think they should

Priority score	Employer	Employee	Gap (Employer – Employee)	
Health benefits	26	11	+15	Greater employer focus
Risk and insurance benefits	17	8	+9	
Mental health support	13	8	+5	
Inclusion and diversity	10	8	+2	
Flexible work arrangements	13	15	-2	
Community and social responsibility	4	7	-3	Greater employee focus
Family and caregiving support	4	9	-5	
Fin'l wellbeing/short-term finances	5	11	-6	
Support benefits decisions	4	11	-7	
Retirement/long-term finances	4	11	-7	

# DC focus in EMEA

## Acknowledging diversity in EMEA

- Prevalence of defined contribution (DC) plans
- Delivery models of DC
- Financial literacy levels
- Regulation, legislation, and tax policies

### Common themes across the region:

1

Strong legislative activity

2

Enabling financial literacy and pension wealth transparency

3

Outsourced DC delivery

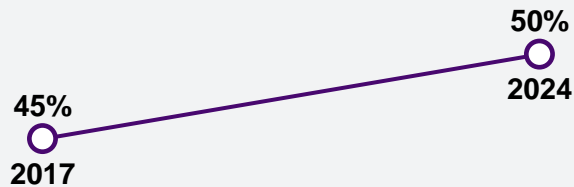


# The path to long-term financial security runs through the employer

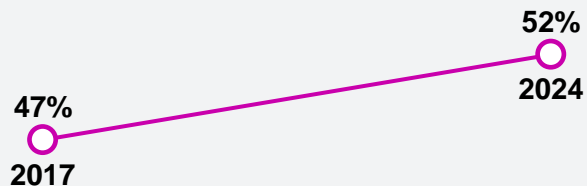
## Retirement plans have become key

### My retirement plan....

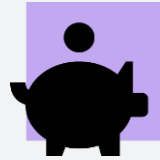
...was an important reason I **decided to work** for my current employer



...is an important **reason I stay** with my current employer



## Employees want and need help



# 82%

Of employees recognize they are **saving less for retirement** than they think they should

*Most important features employees want in a retirement plan*

- #1** Ensuring money lasts in retirement
- #2** Investment control
- #3** Protecting savings from drop in value
- #4** Access to emergency savings

Sources: 2024 Global Benefits Attitudes Survey, Latin America.

Note: Percentages indicate items selected ranked in top 3.



# DC focus in North America

## Governance

- Outsourcing and restructuring responsibilities to free time for **strategic priorities**

## Engagement

- **Smart** use of automatic features and flexible benefit designs

## Retirement adequacy

- Aligning DC Plan design to support employee **financial resilience**

## Investments

- Continued focus on governance; what role will **decumulation** strategies play?

# Overview of governance in DC context

Gemma Burrows  
Director



# Importance of governance

- **Increased reliance on DC for retirement income**
  - More individuals depend on DC for financial security
- **Significance for society, employers, and the economy**
  - Ensures financial security and retirement adequacy
- **Governance provides risk management framework**
  - Helps sponsors manage risks effectively
- **Regulatory requirements management**
  - Review and manage regulations in various jurisdictions





# Risks to consider in governance



- **Market Volatility**
  - Impact on investments and returns
- **Ageing Workforce**
  - Inability to afford retirement
- **ESG Considerations**
  - Inadequate representation of membership needs and beliefs
- **Legal Recourse**
  - Employee actions and non-compliance with regulations

# Benefits of good governance

## Supports attraction and retention

- Helps in attracting and retaining talent

## Improved member engagement

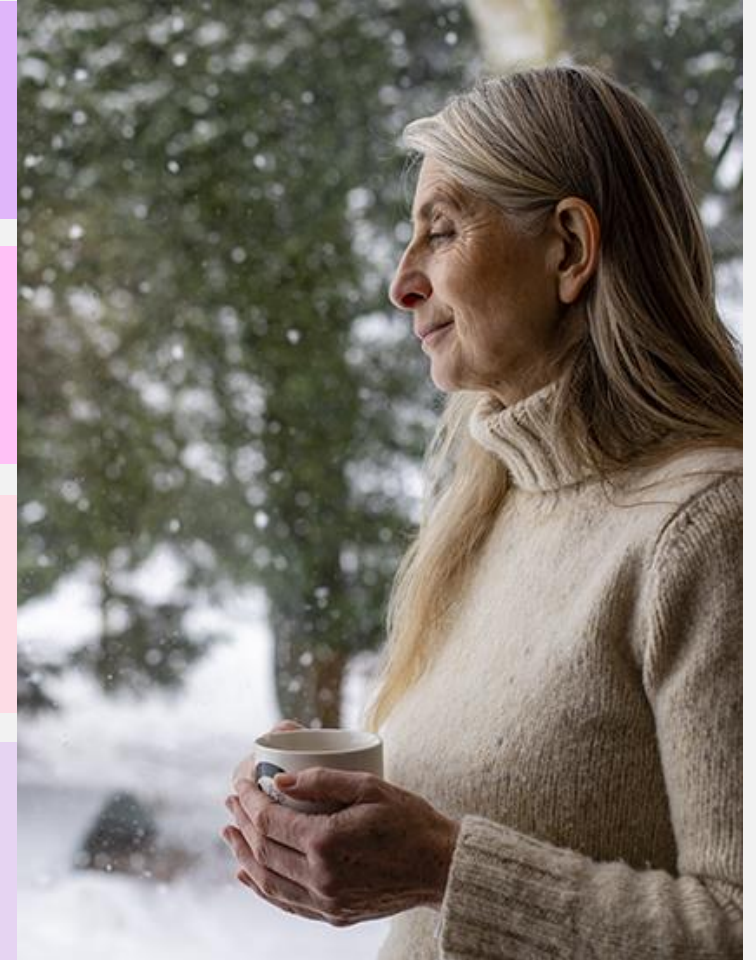
- Leads to better engagement with workforce

## Improved Financial wellbeing

- Enhances financial health

## Improved retirement adequacy

- Ensures better retirement outcomes



# Increased focus on governance

## United States

- ERISA sets standards for DC plans
- Includes fiduciary responsibilities, reporting, and disclosure requirements

## United Kingdom

- TPR, DWP, and FCA oversee DC schemes
- Ensures governance standards and compliance with auto-enrolment requirements

## Australia

- APRA regulates superannuation funds
- Focus on risk management practices

## European Union

- Institute for Occupational Retirement Provision (IORP) II
- Sets out governance and risk management practices

## Canada

- Each province has its own regulatory body
- Office of Superintendent of Financial Institutions (OSFI) oversees regulated pensions

## Complexities and local nuances



# Conclusion



- **Importance of governance in DC plans**
  - Protects members' interests and financial security
  - Ensures accountability and protects sponsors from risks
- **Improves value**
  - Better member outcomes,
  - Improved financial resilience
  - Increased appreciation
- **Next steps**

**“What are we doing to govern our DC plans?”**

# Member engagement

Lars Christensen  
Head of Retirement Denmark



# Member engagement

- Focus used to be on administration and investment performance
- Now, employee/member engagement is a key criterion
- More to come - Member engagement is challenging and evolving



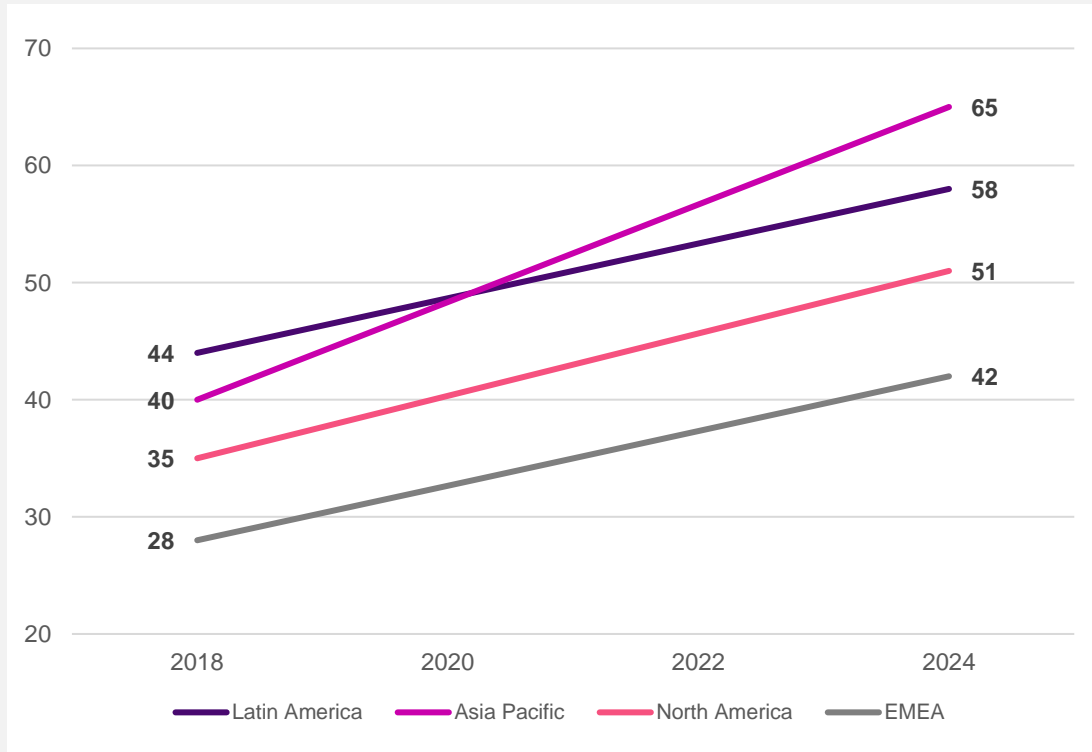


# Engaging with members

## Benefits

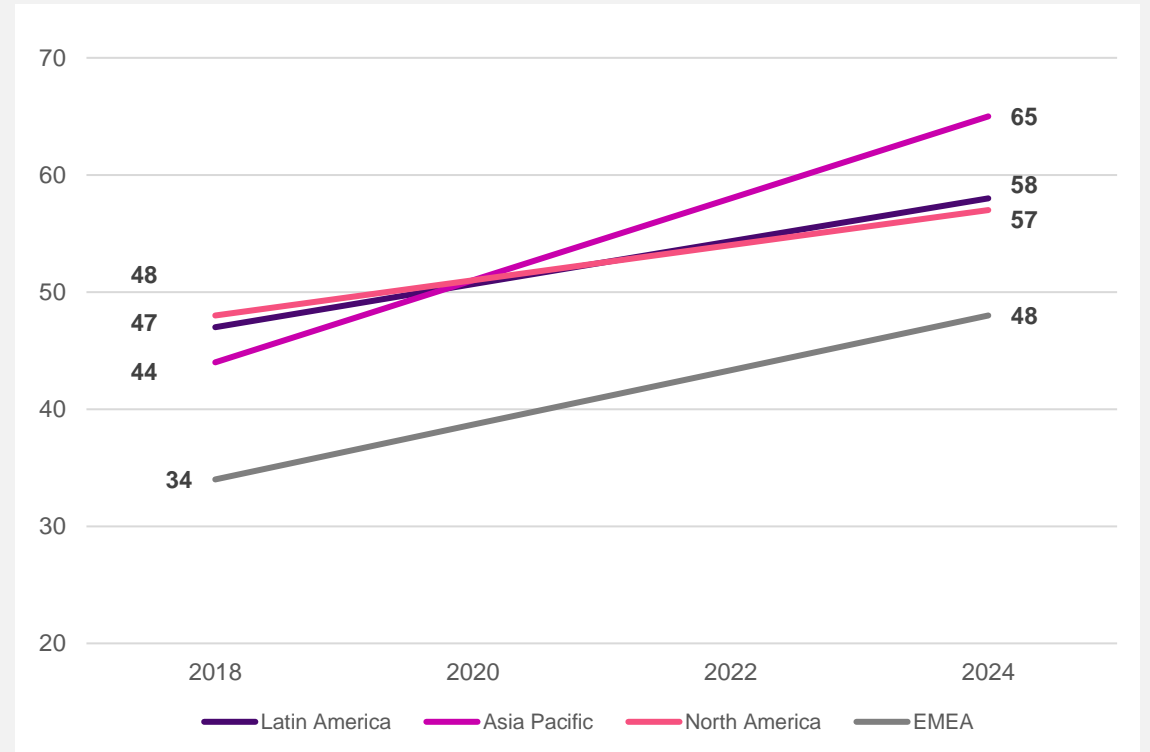
### Attraction

**Q:** My benefits package is an important reason why I decided to work for my current employer

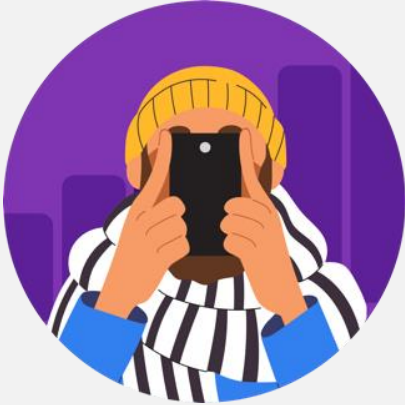


### Retention

**Q:** My benefits package is an important reason why I stay with my current employer



# Looking how to engage



**The Informed**

## Default solutions

Do default solutions (insurance cover and default investment choices) support engagement or should we take a different approach?



**The Disinterested**

## Required savings

Do employees have an overview of what level of savings is required if they are not to be left with what might be publicly supported?  
“know your number – hit your number”



**The Curious**

## Investment options

Do employees have an overview of the options (active investments, passive investments, ESG/sustainability)?



**The Vulnerable**

## Savings options

Do employees have an overview of the best way to organize their savings – pension, housing, other savings?  
Financial Wellbeing



**The ‘Out of their Depth’**

## AI and new technologies

Can AI and new technologies help to improve engagement and decision making. Proactive follow ups until decision is made – mandatory meetings to secure decisions?

# Can you jump ahead learning from other markets?

Learnings from mature DC markets. Possible to jump years ahead from learnings?

**Branding**

**Default solutions**

**Holistic advice/  
guidance**

**Mandatory advisory sessions to employees to secure optimal value of company's benefits**

- **Entering of pension/benefit package**
- **Every 5 years?**
- **Before retirement**

**Life stage relevant benefits and advice/guidance**

**AI to support proactive decisions from employees**

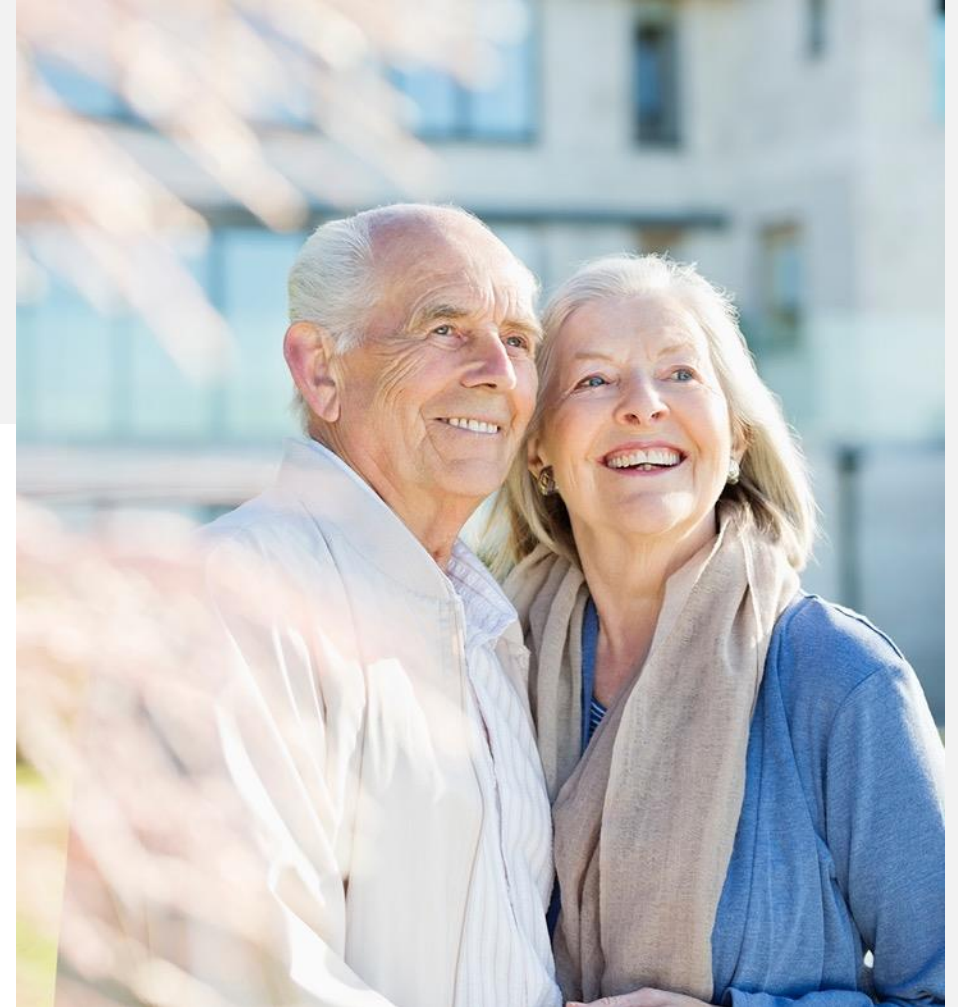


# Retirement adequacy

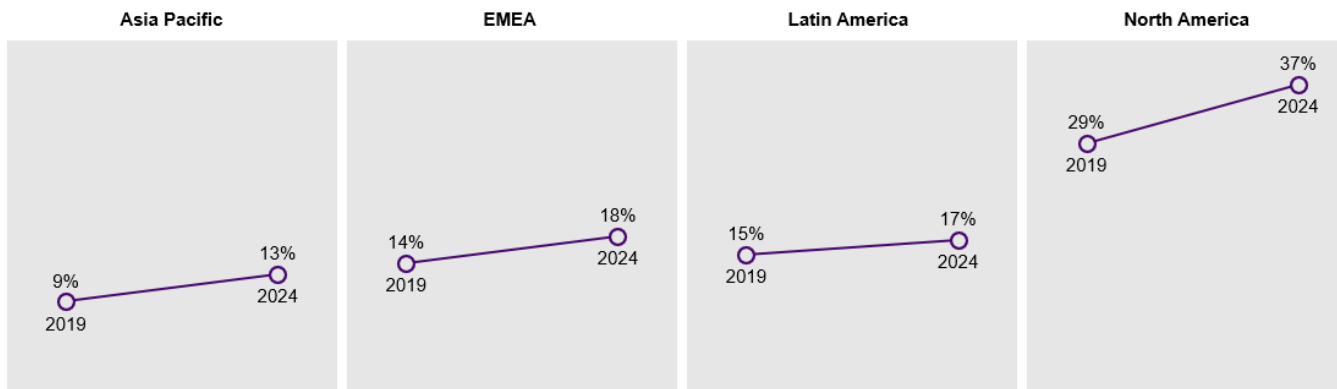
Beth Ashmore  
Client Experience Leader, Retirement North America

# Retirement adequacy in a DC world

- Increasing longevity
- Current financial needs vs. retirement preparation
- Changing retirement expectations
- Variation amongst workforce



## 70+ Share of employees that plan to retire aged 70 or older



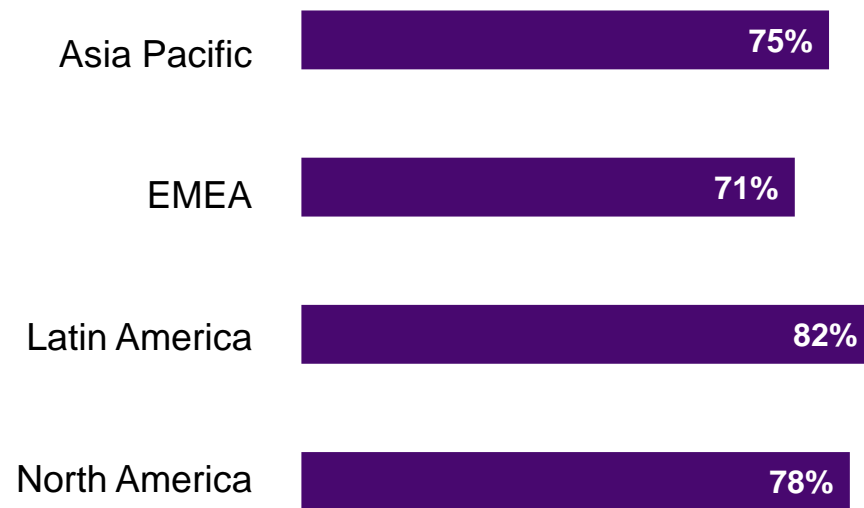
Sample: All employees except for Canada and US which are full-time employees only.  
Source: 2019 and 2024 Global Benefits Attitudes Survey

# Employees largely feel retirement savings are insufficient

For some, short-term financial needs crowding out retirement savings

## Undersaving for retirement

### Employees saving less than they think they should



Sample: All employees except for Canada and US which are full-time employees only.  
Source: 2024 Global Benefits Attitudes Survey

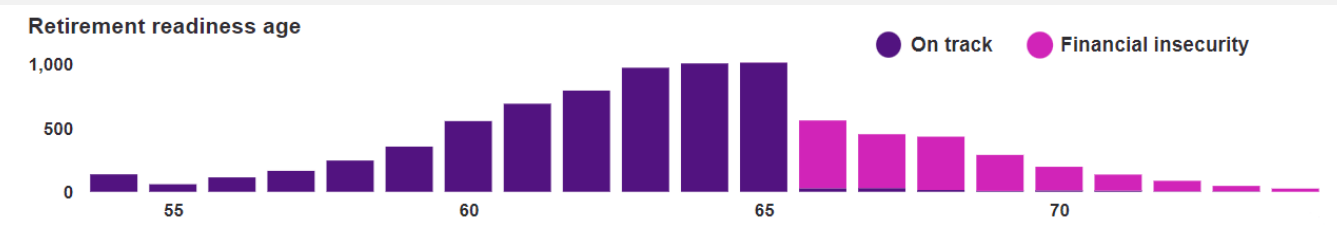
## How can Employers help address?

### Design

- Plan design of employer / member contributions
- Auto-enrolment and auto-escalation
- Regulatory options to “catch-up”
- Flexible contribution options (member and employer)

### Retirement adequacy assessment

- Workforce segmentation
- Drivers of adverse savings behaviors



### Potential regulatory focus?

- Outcome focused vs. solution oversight

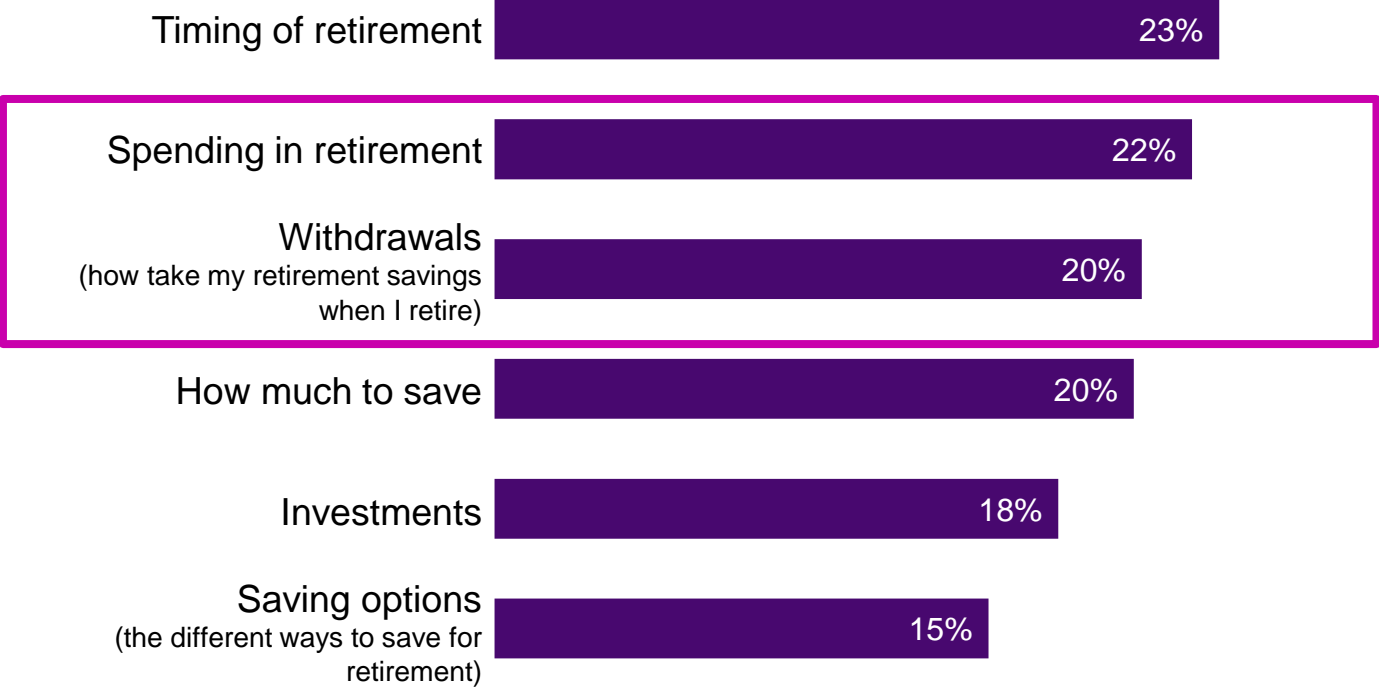


# Employees are looking to better understand their options when they retire

Significant variations in employee financial needs to reflect in planning for retirement:

- Differences in living expenses between employment and retirement
- Varying spending patterns and needs throughout retirement
- Available withdrawal options and required distributions
- Integration with social retirement benefits and other sources of retirement income
- Longevity and desire to bequest

## What are most important for you to learn more about?



**Q: Which of the following are most important for you to learn more about?**

Note: Percentages indicate top priority.

Sample: All employees except for Canada and US which are full-time employees only, with an employer provided retirement plan.

Source: 2024 Global Benefits Attitudes Survey

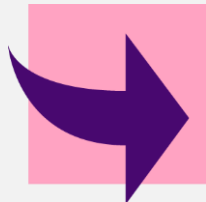
# What can employers do to support the transition to retirement?



**Education, planning resources,  
and financial counseling**



**Review retirement policies and  
support**



**Phased retirement?**



**Decumulation strategies**

# Investments

Ben Leach  
Senior Director, Investments

# Key investment themes



1

**Decumulation**



2

**ESG Investing**



3

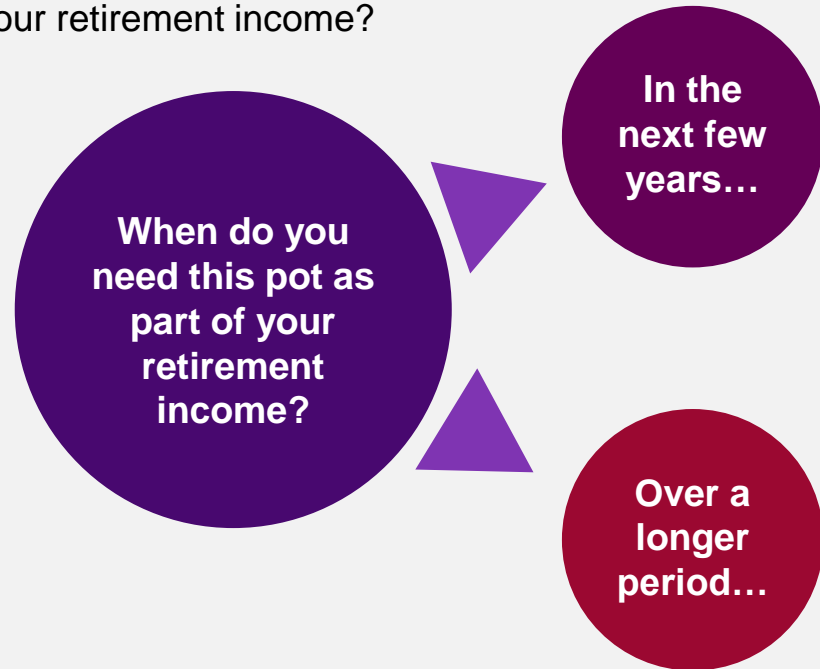
**Innovation**





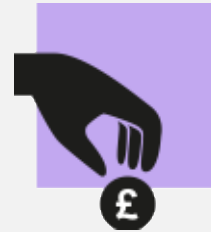
# 'Help me choose' options spending

- 1 What do you want to do with your pot of money?
- 2 When do you need this pot as part of your retirement income?



## What do you want to do with your pot of money?

...I want to start spending my money



Short Term Income fund

...I don't want to start spending my money



Short Term Investment fund

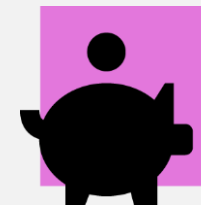
...I want to buy an annuity from an insurance company



Annuity Matching fund



Long Term Income fund



Long Term Investment fund

People who plan to buy an annuity eventually, but not in the next few years.

Consider the short or long term investment funds.

# DC members increasingly favour ESG investments

Though a minority remain wary, particularly in the US



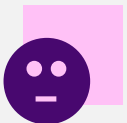
**Ethical preference**



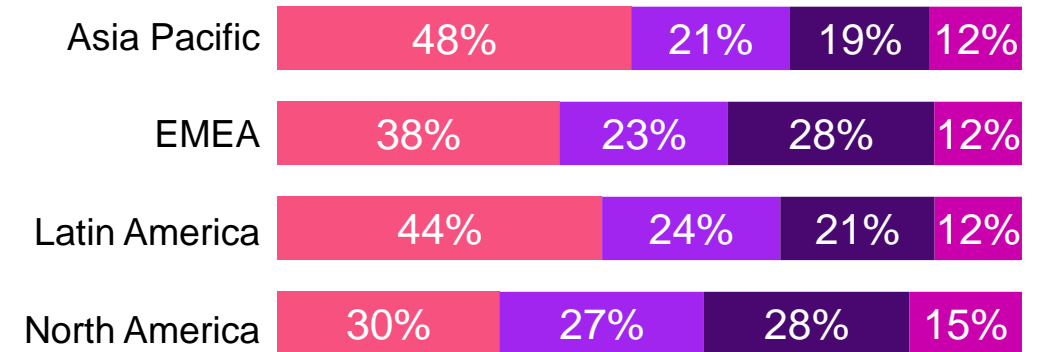
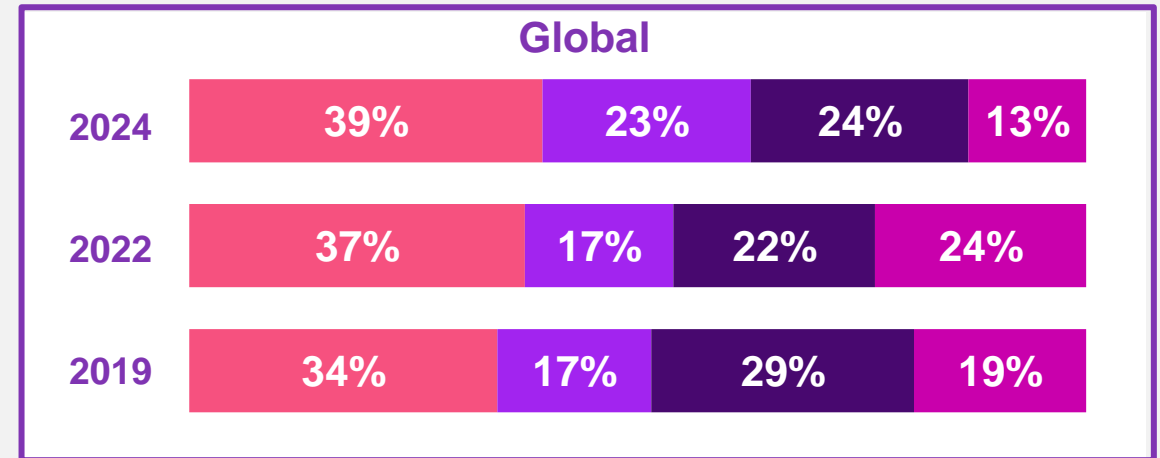
**Return seeking preference**



**Maximize returns**



**Avoid ESG**



Note: Percentages may not add up to 100% due to rounding.

Sample: All employees except for Canada and US which are full-time employees only, with an employer provided retirement plan.

Source: 2024 Global Benefits Attitudes Survey

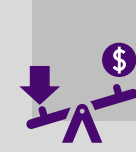
# Smart Beta plays an innovative role in delivering better value for money approach to investing



**Diversification across multiple factors**



**Net-zero targets and financially based carbon reduction commitments**



**Cost and tax-efficiency**



**Unrewarded exposures**



**Finance-first ESG and climate integration is important**



**Changing market dynamics and investor requirements**

**We believe there is an opportunity to disrupt the market to deliver better solutions for investors**

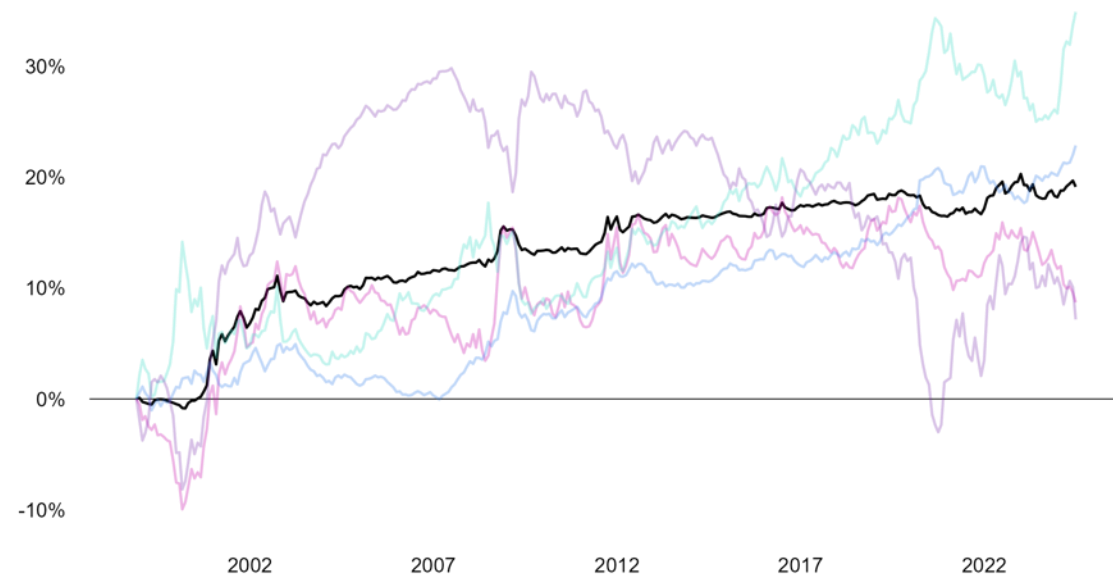
# Over the long-term factors have outperformed...

... but short-term performance has been volatile and can lead to periods of underperformance

### Cumulative factor returns



### Combining factors can lead to a smoother journey



— Value — Quality — Low Volatility — Momentum — Equally-weighted Composite

Source: MSCI, WTW. As at 28 June 2024

Past performance is not a reliable indicator of future returns.

Returns are unhedged USD with gross dividends reinvested. Returns are relative to the MSCI ACWI Index.

The factor returns are based on the following indices: MSCI ACWI Wealth Weighted Index (Value), MSCI ACWI Quality Tilt Index (Quality), MSCI ACWI Volatility Tilt Index (Low Volatility), MSCI ACWI Momentum Tilt Index (Momentum)

The 'Equally-weighted Composite' is the monthly equally weighted returns of the Value, Quality, Low Volatility and Momentum factors

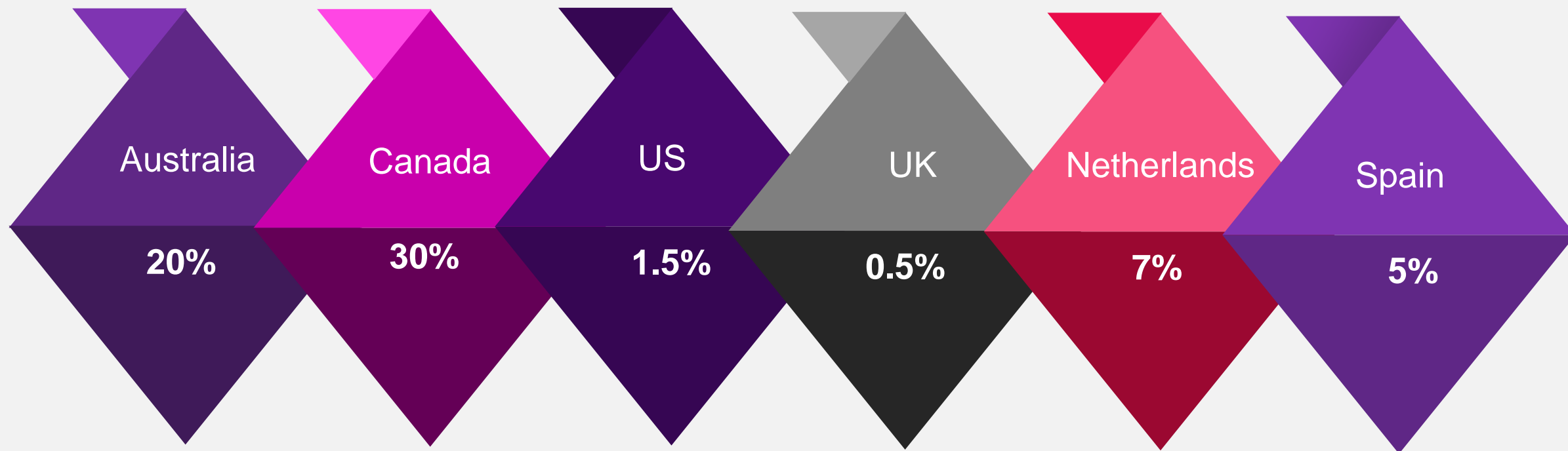


# Private markets have an increasingly important role to play in DC investment solutions

	Year of IPO	Private fund raising \$ raised before IPO	Public fund raising \$ raised in the IPO	Fundraising ratio Public Equity to Private Equity
	Change over time	↑ Increasing		↓↓ Decreasing
	2004	0.025 bn	1.9 bn	76 to 1
	2019	22 bn	8.1 bn	0.37 to 1

Source: WTW 2023, Manager Research Team.

# Australia & Canada have led the way in DC private markets allocations as Europe has lagged...



Source: UK Department for Work & Pensions, [Analysing the impact of Private Pension measures on member outcomes, 2022](#); [Private Equity Wire, Future Flows: The next generation of private equity LPs, 2022](#); [Hymans, Embracing the opportunities, 2021](#); [Pension Investment Association Of Canada DC Asset Mix Report 2022](#); [CEM Benchmarking Survey of DC plans in the US, 2022](#).

# Summary



# Key takeaways

<b>Governance</b>	Effective governance of DC plans enhances <b>financial resilience</b> , <b>retirement adequacy</b> , and <b>talent retention</b> . To achieve these benefits, it is <b>crucial for organizations to assess and improve their DC plan governance strategies</b>
<b>Engagement</b>	Effective <b>branding</b> , <b>tailored advice</b> , <b>AI-driven prompts</b> , and <b>possibly mandatory guidance</b> are instrumental in <b>optimizing employee benefits and fostering engagement</b> .
<b>Retirement adequacy</b>	Employers can <b>facilitate retirement transitions</b> by offering <b>education</b> , <b>planning resources</b> , <b>financial counseling</b> , <b>phased retirement options</b> , continued <b>participation in DC plans</b> , and <b>strategies for drawing down retirement savings</b> .
<b>Investments</b>	To enhance retirement plans, ensure <b>access to private markets</b> , <b>support strategies for drawing down retirement savings</b> , and include <b>investment funds focused on ESG factors</b> to align with company values and member interests.