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Membership Segmentation

Accumulating a fund big enough to provide a suitable income in retirement is clearly a primary objective for any member of a DC pension plan.

The two biggest factors in the ability of a member to generate benefits that meet their expectations are the level of contributions throughout the period of saving and the investment returns achieved by the funds selected to receive those contributions.

The engagement level of the membership is also significant; higher levels of engagement should lead to improved member outcomes.

However, the outlook and attitudes of members are diverse.

As a simple example, in our Employee Insight Report 2014, based on a sample of 3,000 employees, 48% of respondents considered themselves to be either 'cautious' or 'very cautious' in terms of pension investment risk while 36% considered themselves to be 'balanced'.

Personalisation

The challenge therefore is to help members to optimise their chances of achieving their retirement ambitions. To do this requires insight into the diverse member population and to then determine the most appropriate investment and communication strategies.

We believe that DC savers can be broken down into three broad categories of investors for the purpose of their engagement level:

Passive savers	Members who are unwilling and/or unable to engage meaningfully with their retirement savings. These members will always follow the default or path of least resistance.
Limited personalisers	Members who are willing and able to personalise their retirement savings, albeit often only in a limited way. These members want limited, easy to understand choices with supporting help and guidance to incrementally move away from default position.
Independent choicemakers	Members who are willing and able to engage fully with their retirement savings. These members want a range of good quality, suitable choices.

48% consider themselves to be either 'cautious' or 'very cautious' in terms of pension investment risk

36% consider themselves to be 'balanced'

(Employee Insight Report 2014)

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Accordingly we have developed our own analytical approach to measuring a member's propensity to be flexible and engage. We define savings flexibility as the ability and/or willingness of the individual to be flexible in their approach to retirement saving; specifically the ability or willingness to save more, retire later or retire on a lower level of savings.

Our approach has been informed by reference to both a number of academic research studies into savings and investment behaviour and through our own experience, expertise and accumulated data analysis.

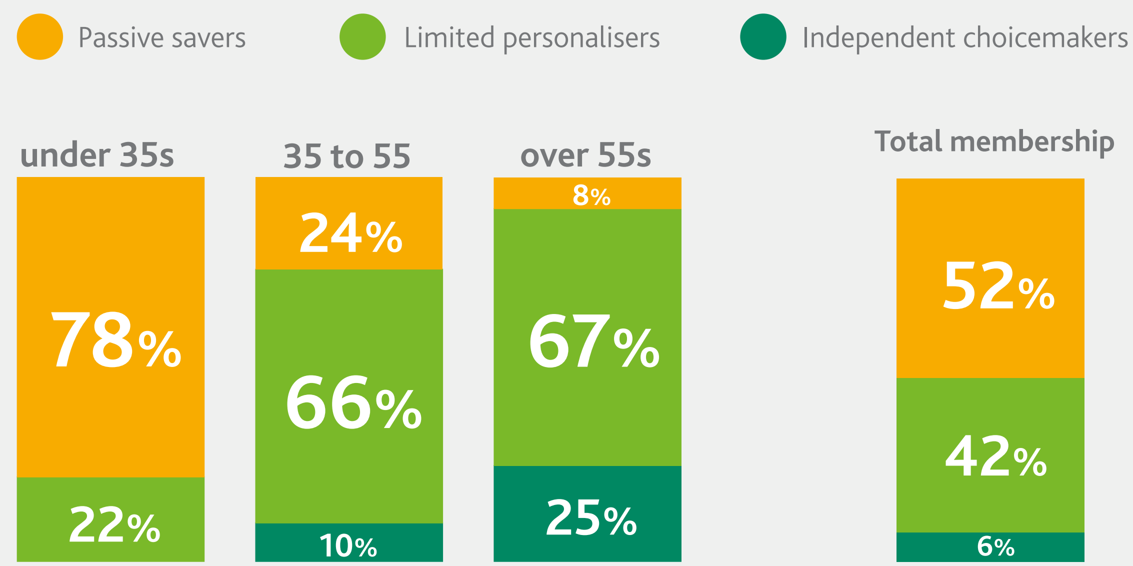
As a starting point, we apply our profiling approach to the plan membership using data such as age, gender, salary, fund value and contribution rates to begin to understand the shape and dynamics of the demographic as a whole.

Using these outputs, we work with you to segment the membership, design more appropriate investment strategies for each and to build coherent and appropriate member engagement strategies.

Delivering DC excellence: Expert analysis driving better member outcomes

Example output

Estimated engagement levels by age



Combining estimated engagement level with tolerance to being flexible

	Tolerance to being flexible		
	Lower	Higher	Total
Passive savers	7%	45%	52%
Limited personalisers	19%	23%	42%
Independent choicemakers	3%	3%	6%
Total	29%	71%	100%