

# Measuring member outcomes for defined contribution plans: A cohesive approach

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# Aware Super



**1.1 Million**

members  
and clients



**\$185 Billion**

combined  
asset pool



**\$38+ Billion**

in retirement with  
100k+ members



**\$4 Billion**

Pension benefits  
p.a. Profit-to-  
member



Award-winning  
fund \*\*



**27 years+**

providing financial  
advice#



Approx. data as of September 2024, unless otherwise specified

\*\* visit <https://aware.com.au/about/culture/awards> for more information on our awards.

# Why Member Outcomes Measures Matters



## Communication

**Demonstrating** our value add to members, employers, employees and the broader community

### Annual Report 2024

Helping our members feel confident in planning and living their best retirement.



### Retirement confidence score 84%<sup>39</sup>

This metric measures how close a member is to their retirement income goals, calculating a score between 0% to 100% based on what we know about them.

Improve **business planning** by presenting a quantifiable metric to demonstrate **Best Financial Interest Duty**

## Quantifying uplift in member outcomes across business initiatives

Since the launch in 2021, our new MySuper Lifecycle have delivered *an additional \$2.5bn (or \$4,800 per member)* in retirement savings to our over 800,00 MySuper members, compared to the median MySuper offering.

**Support** regulatory objectives

## Supporting regulatory objectives

APRA and ASIC Pulse check on retirement income covenant implementation, July 2024

### Areas lacking progress

There is only incremental progress in measuring and tracking the success of retirement income strategies.

# Introducing a New Member Outcome Metric

That addresses issues with current industry practice



## Innovations



# How the Metrics Work

For members in accumulation phase

For members in decumulation phase

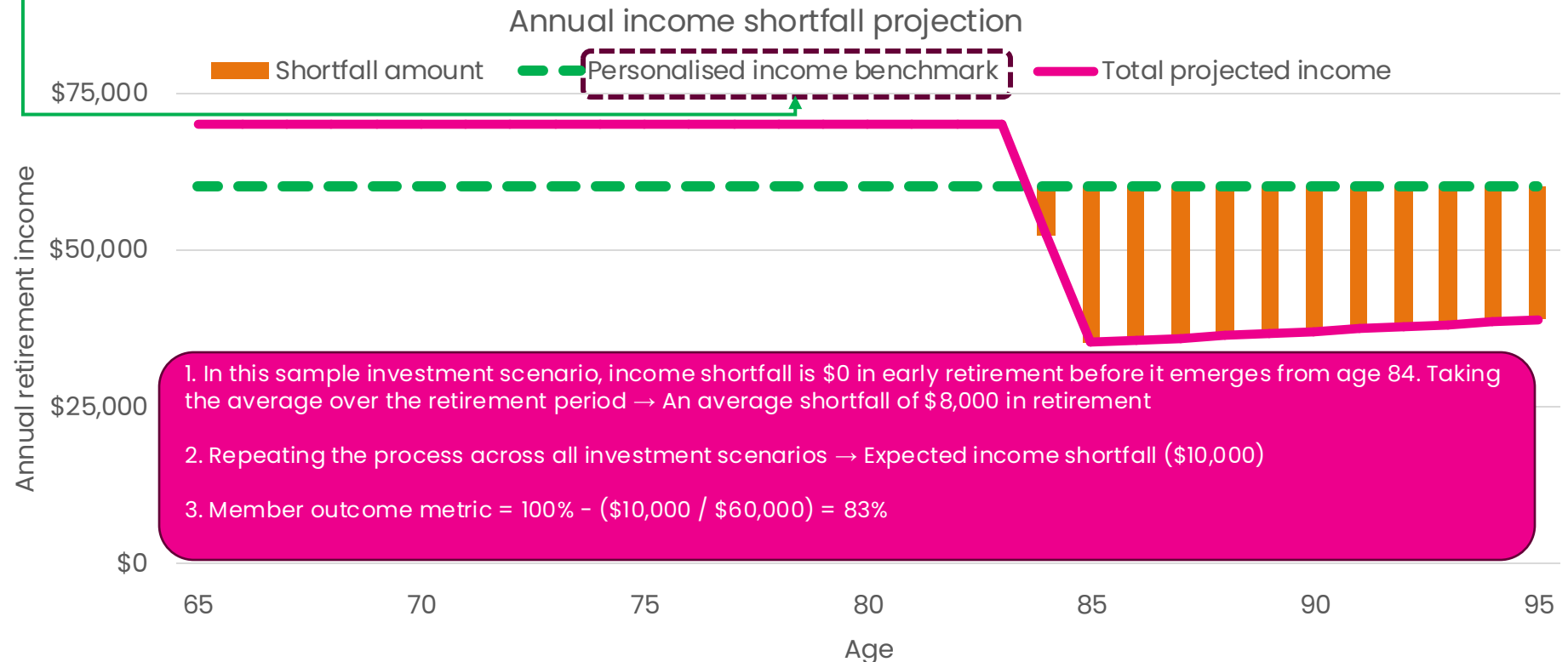
## Same high-level definition and methodology

A **forward-looking** measure based on **observed** member behaviour

$$\text{Member outcome metric} = 100\% - \left( \frac{\text{Expected Income Shortfall}}{\text{Personalised Income Benchmark}} \right)$$

### Personalised income benchmark

- Informed by contributions for members in accumulation – proxy for pre-retirement living standard as retirement adequacy.
- Derived from retirement account balance for members in decumulation as income efficiency matters for retirees.



# Sample Baseline Results



For a subset of Aware Super members in decumulation phase (June 2024)

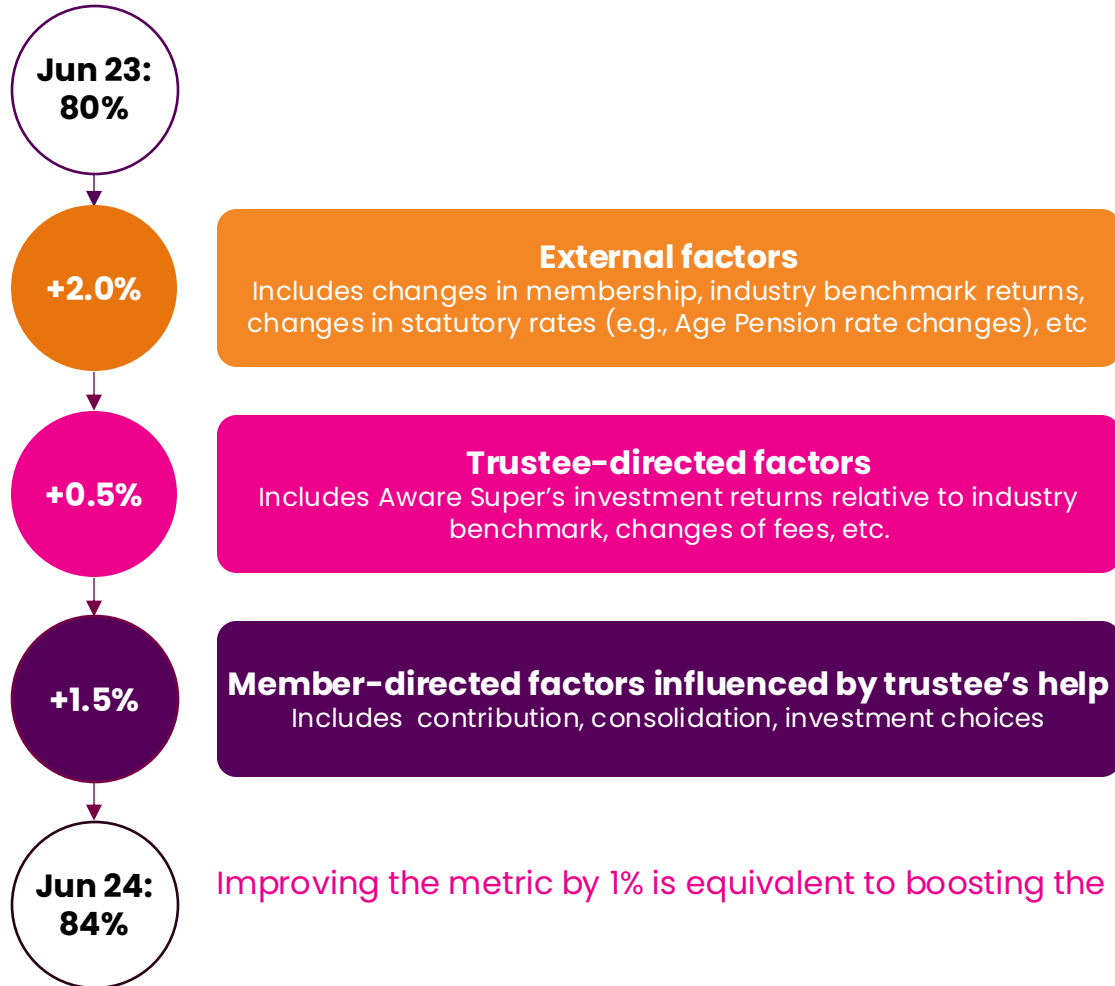
	<b>Retired members with account-based pension account(s) and a retained super account</b>			
	Observed drawdown behaviour			<b>Subtotal</b>
	Legislated minimum or less	In-between	Unsustainably high	
<b>Number of Members</b>	13,000	4,000	6,000	<b>23,000</b>
<b>Average Super Balance</b>	\$578,000	\$437,000	\$275,000	<b>\$473,000</b>
<b>Member Outcome Metric (Average)</b>	76.9%	91.8%	87.8%	<b>82.2%</b>

# Hypothetical examples in accumulation

Based on hypothetical accumulation membership

## Sample retrospective attribution

of key drivers affecting the metric over 12 months



## Business Planning

Attributing the impact of different factors that affect member's retirement adequacy

Examples of attribution factors	Estimated impact on hypothetical membership
<b>Maturity</b> of the Superannuation system by year 2030	+2%
<b>Stronger MySuper returns</b> than investment benchmark and other MySuper design (now to year 2030)	+0.8%
<b>Higher SG &amp; voluntary contribution</b> (Now to year 2030)	+1.2%

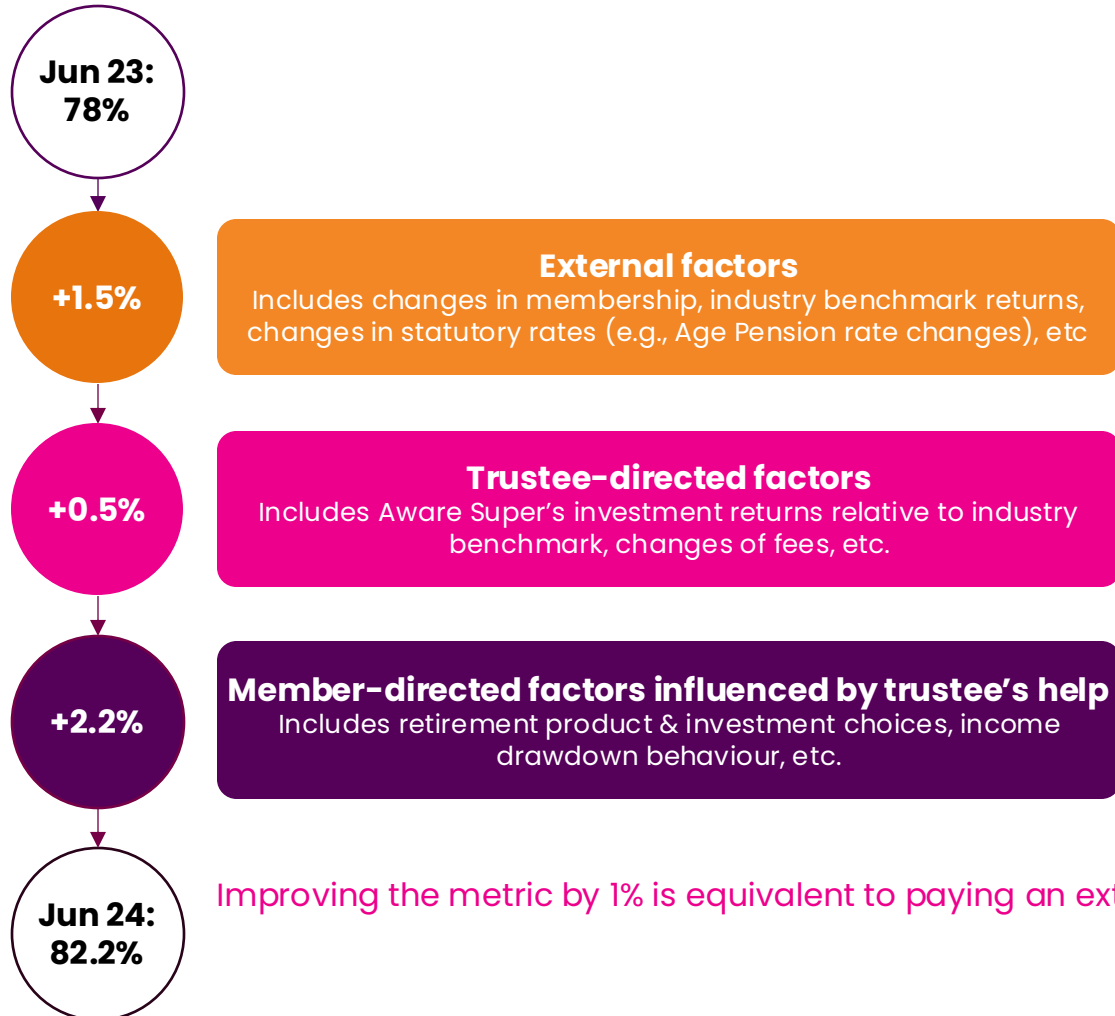
Improving the metric by 1% is equivalent to boosting the balances by ~\$1 billion p.a. to the hypothetical members.

# Hypothetical examples in decumulation

Based on hypothetical decumulation membership

## Sample retrospective attribution

of key drivers affecting the metric over 12 months



## Business Planning

Showing the impact of different business initiatives that improve member retirement outcomes

Examples of business initiatives	Estimated impact on hypothetical membership
<b>Reduction</b> of administration fees	+0.1%
New <b>digital advice tool</b> for members moving into retirement / in-retirement	+1.0%
<b>Smart Income Drawdown</b> (New drawdown option as a product feature of account-based pension)	+1.2%
<b>A better retirement solution</b> (including a longevity solution)	+1.5% to +2.0%

Improving the metric by 1% is equivalent to paying an extra ~\$50 million p.a. in pension benefit sustainably to the hypothetical members.



# Benefits over traditional metrics

## Transparency

- Easier for regulators, practitioners, and members to understand and utilise.
- At the member level, our digital advice tools are empowered by similar metrics to provide guidance to:
  - Members in accumulation (My Retirement Planner)
  - Members moving into decumulation and already in decumulation (Scheduled to launch next year).

## Actionable insights

- Our metrics allow clear and systematic attribution between **different drivers (both past and future)** affecting member retirement outcomes, enhancing business performance review and business planning.

### External

e.g., market returns.

### Trustee-directed

e.g., lower fees, retirement solutions.

### Member-directed

e.g., consolidation, investment choices, income drawdown.

## Alignment with regulatory goals

- Aligning with regulatory goals for better member outcomes by measuring and tracking the success of retirement income strategies.

# Questions & Discussion