



香港退休計劃協會

The Hong Kong Retirement Schemes Association

Webinar:
**Retirement schemes of tomorrow: Governance,
investments and a focus on member outcomes**

5 June 2020

The Retirement Schemes of Tomorrow

Hong Kong Retirement Schemes Association

June 2020



We're going to need a bigger boat



“...a \$400 trillion global pension funding gap by 2050, or 5x the size of the global economy, driven by longer lifespans and reduced savings.”



**Higher contributions
(save more)**



**Higher investment returns
(earn more)**



Hosting today's discussion



Edwina Ho
Director,
Investments



Paul Colwell
Senior Director,
Investments

Retirement Schemes of tomorrow will be different from today

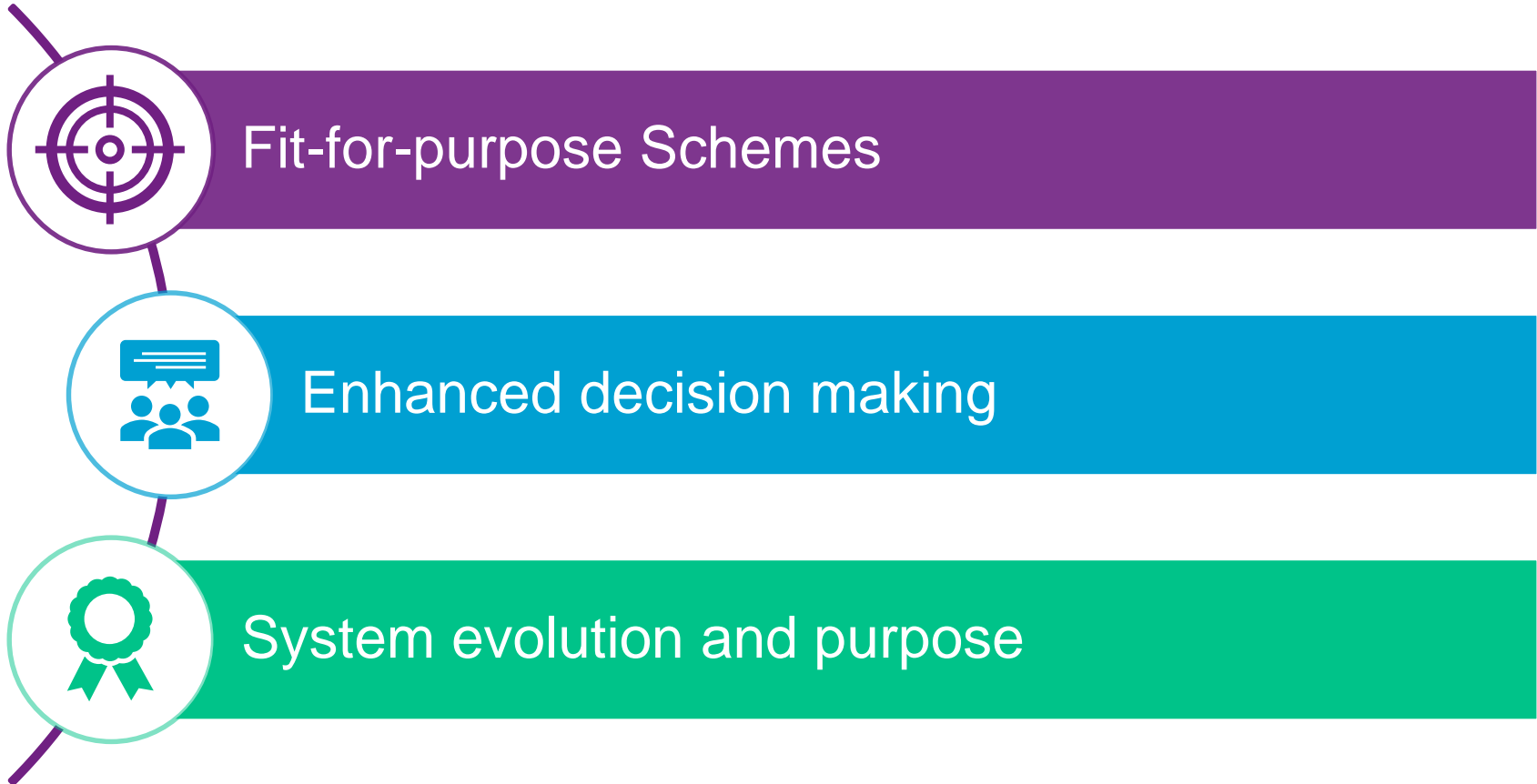
Governance

Investments

**Member
Experience**

Governance

The future of Scheme governance

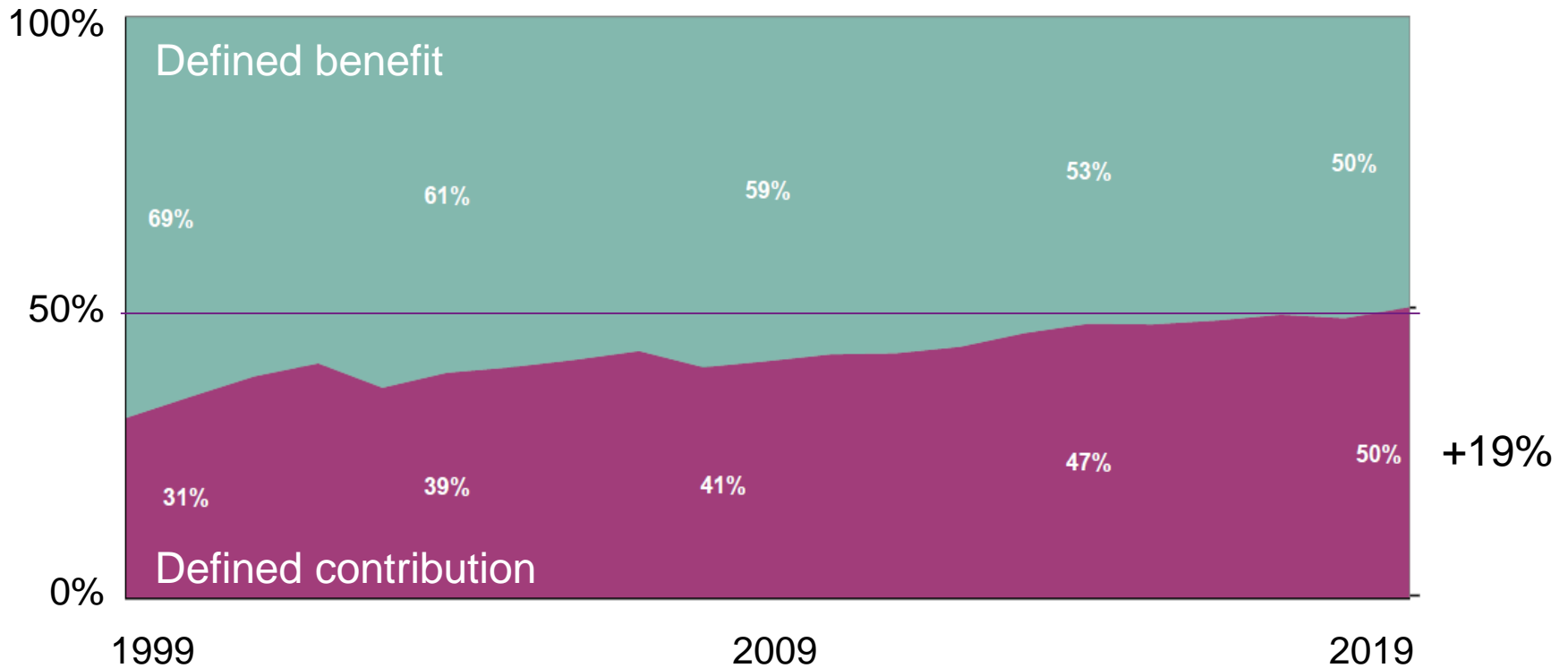


① Is your Scheme fit-for-purpose?

Defined benefit vs defined contribution

	DB	DC
Member		
Rewards LT employment	✓	?
Market risk	X	✓
Sponsor risk	✓	X
Employer		
Liability risk	✓	X
Stability of cash flows	X	✓
Scalable	?	✓

DC is now the dominant model



Source: Thinking Ahead Institute, Global Pension Assets Study, 2020, P7 countries, including Australia, Canada, Japan, Netherlands, Switzerland, UK, US

② Decision making has been challenging

84%



**Making decisions
in an uncertain
environment**

56%



**Strategic initiatives
delayed – crisis
mode**

38%



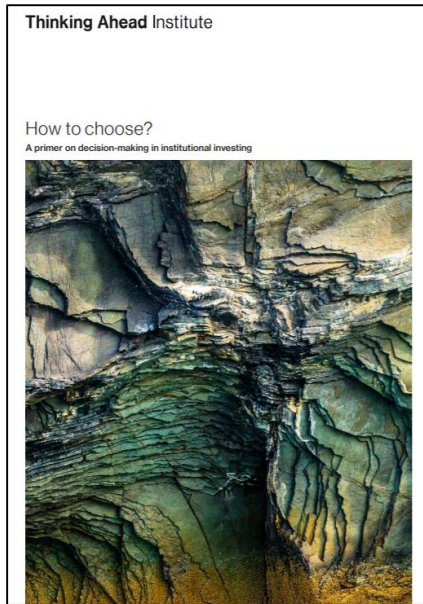
**Business
distractions
mean no time for
investment
issues**

There is a real fear that Governance has been impaired and portfolios may be negatively affected

Source: WTW global client survey, April 2020.

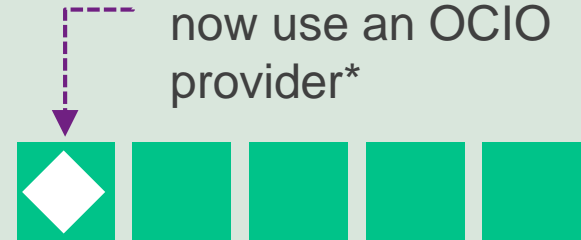
Making better decisions

Thinking Ahead Institute (TAI) Research on better decision making



1 in 5

US DC schemes
now use an OCIO
provider*

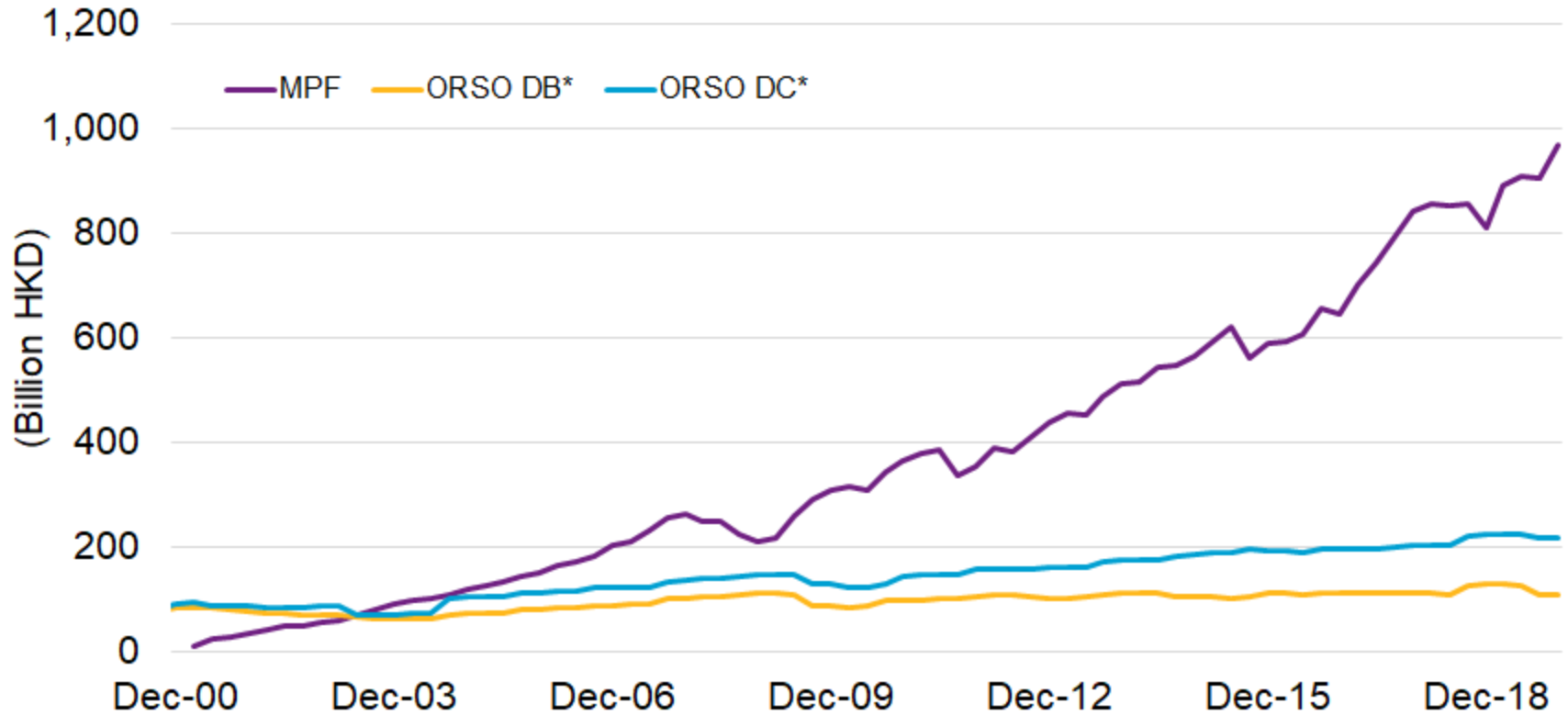


[Thinking Ahead Institute](https://www.thinking-ahead.com/)

Source: * Callan Institute, DC Survey, 2020

3 What will the retirement system look like?

Retirement Assets in Hong Kong



Source: MPFA website, as of 31 December 2019

*ORSO registered and both MPF/Non-MPF exempted schemes

What will the retirement system look like?

	ORSO	MPF
System design		
Employer involvement	✓	X
Flexible	✓	X
Alignment	✓	X
Low cost	✓	X
Outcome driven	✓	?
Member choice	?	✓
Service driven	X	✓
Admin outsourced	?	✓

What does success look like?

70%



Say *“investment is one of several factors that determine our effectiveness / success”*

67%



Aim to *“maximise lifetime income rather than savings at retirement”*

90%



Say *“our organization is currently devoting significant resources to administration and operations”*

Retirement schemes of tomorrow will have a broader purpose than today’s

Source: [Thinking Ahead Institute](#), DC Best Practice Peer Study, 2019.

The future of Scheme governance



Fit-for-purpose Schemes



Enhanced decision making



System evolution and purpose

Investment

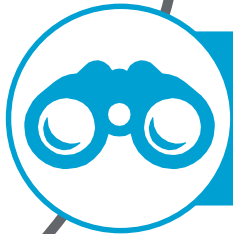
The future of how we invest our assets



A shift to more stable returns



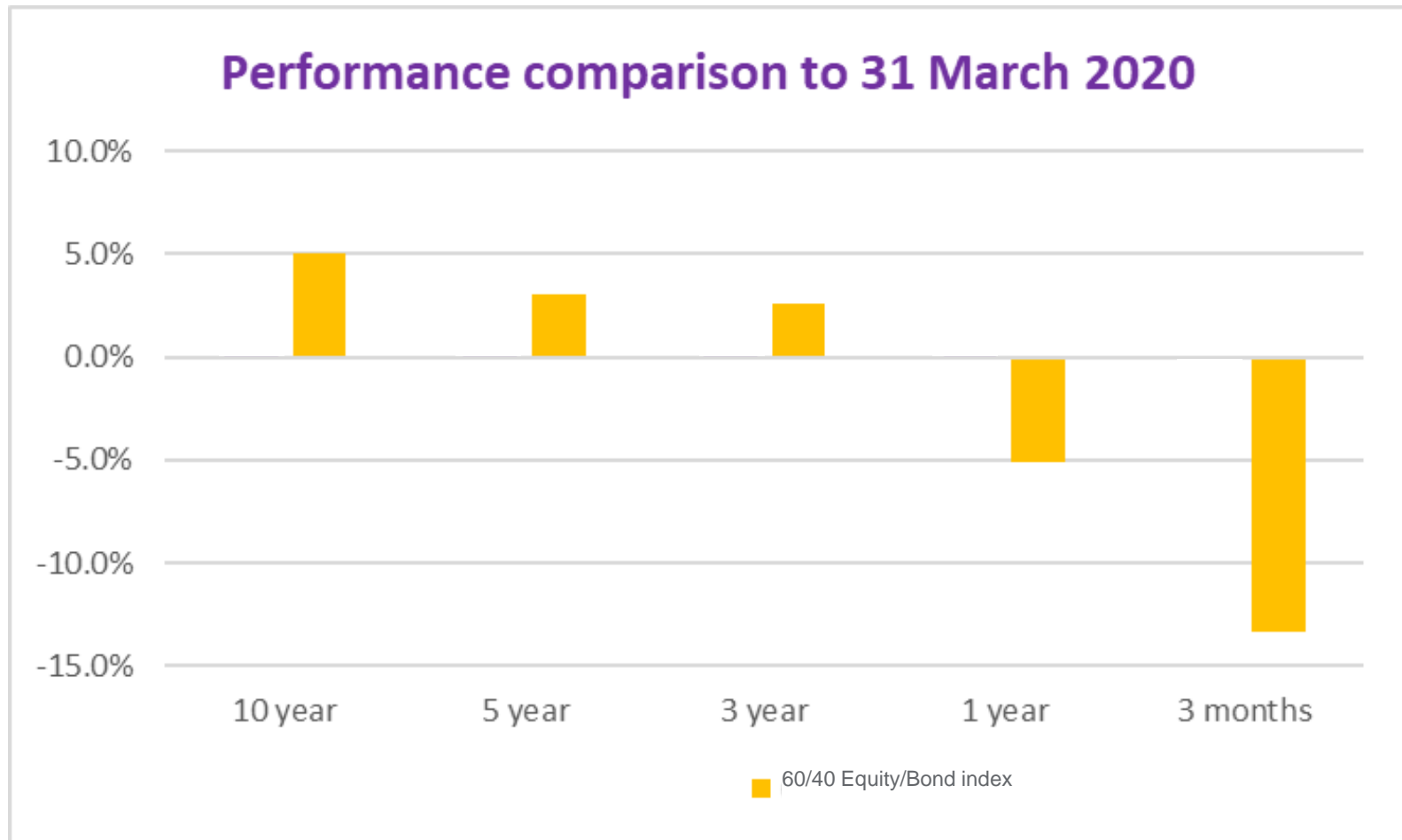
The rise and rise of sustainability



The asset classes of tomorrow

Why are portfolios becoming more diversified?

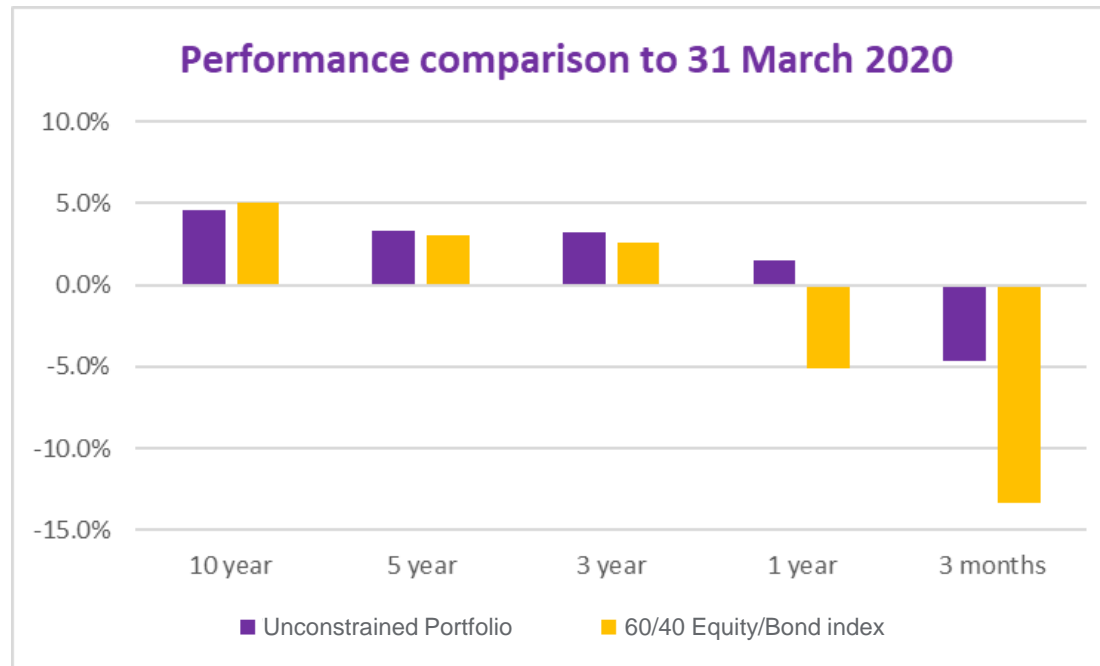
Illustrating the benefits of diversification



Source: Willis Towers Watson, eVestment as at 31 March 2020. **Past performance is not a reliable indicator of future returns.**

Why are portfolios becoming more diversified?

Illustrating the benefits of diversification



**Similar
long-term
returns**

**Half
the
risk**

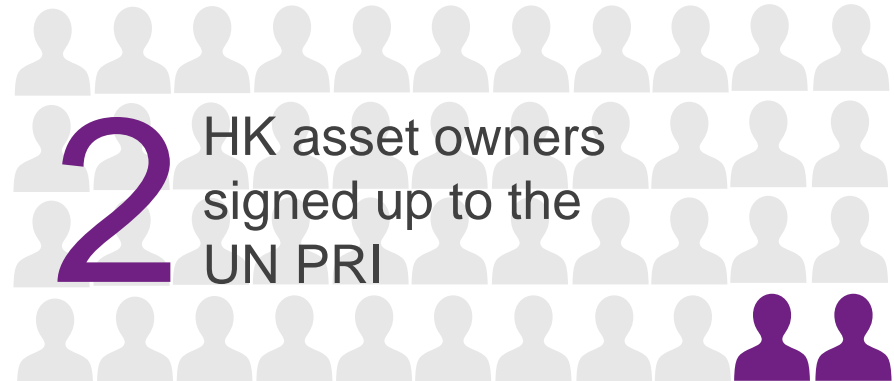
Source: Willis Towers Watson, eVestment as at 31 March 2020. **Past performance is not a reliable indicator of future returns.**

The rise and rise of sustainability

70%



Our investment approach in five years is likely to incorporate sustainability considerations to a very material extent



The saying-doing gap

The doing-impact gap

A holistic approach

Source: [Thinking Ahead Institute](#), DC Best Practice Peer Study, 2019.

The asset classes of tomorrow

**Private Markets
continue to evolve**



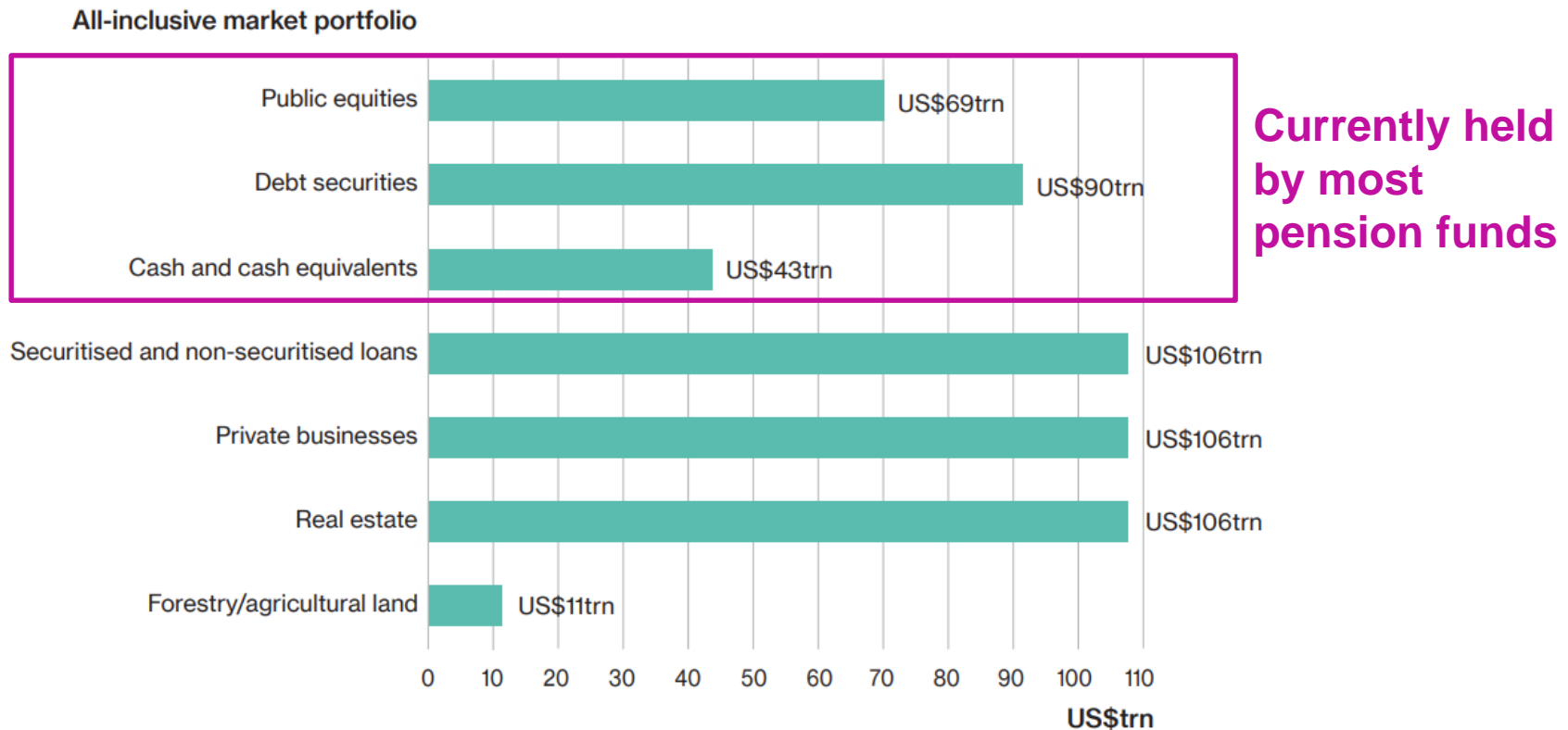
**Technology drives
new asset classes**



**Opportunities in China
come to the fore**

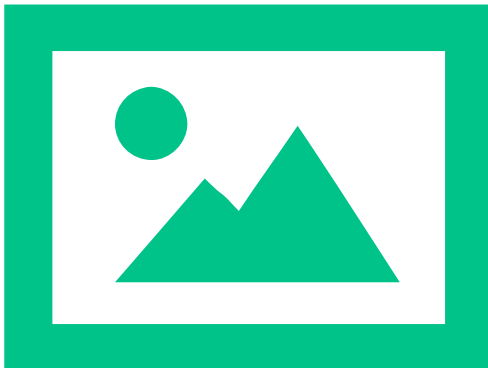
Investment is a subset, and not a representative one

The \$500trn global opportunity set

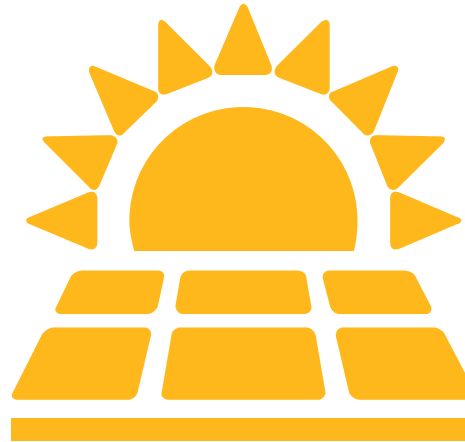


Technology drives new asset classes

Artwork



The Sun Exchange



Real Estate



Blockchain and securitization will broaden the investment opportunity set

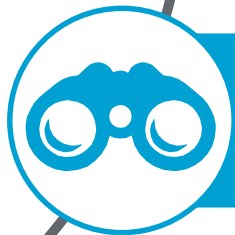
The future of how we invest our assets



A shift to more stable returns



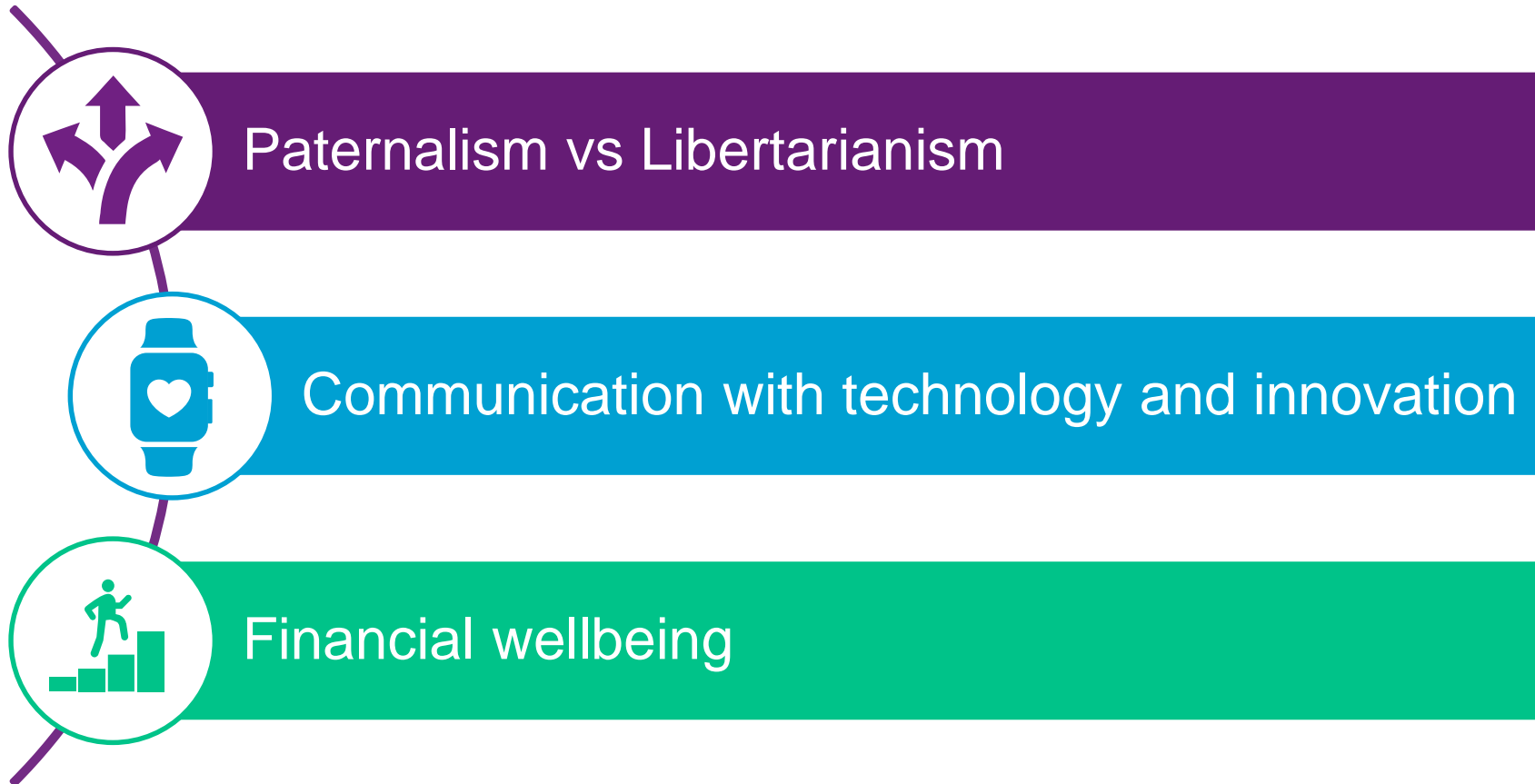
The rise and rise of sustainability



The asset classes of tomorrow

Member Experience

The future member experience



Paternalism vs Libertarianism

No clear winner in the battle

“People don’t know enough to make informed decisions”

“I would prefer to focus on outcome than engagement”

“Right now, we speak as one voice to many and that does not resonate with all our participants”

“It’s almost impossible to tell if an individual is ready for retirement just by looking at their employer pension account”

“The most important thing is to know your customer: that’s your competitive advantage”

Source: [Thinking Ahead Institute](#), Shifts for the DC organization of tomorrow

Paternalism vs Libertarianism

Variation in survey responses

Focused on building the best possible default option. No further guidance provided



We offer extensive educational materials (and advice) to help members achieve best results

Reporting progress towards the objectives of lifetime income provision



Reporting shows only account balances and investment returns

Source: [Thinking Ahead Institute](#), Shifts for the DC organization of tomorrow

Communication

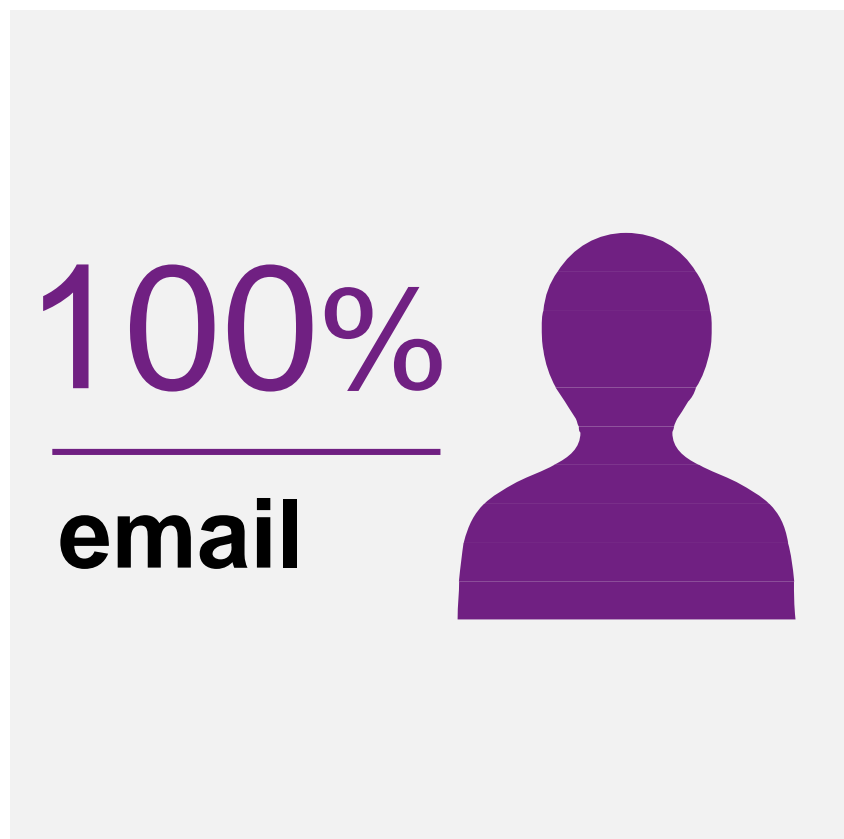
Our mission should be to help members understand and value their retirement savings, and connect with their fund at every stage of their lifecycle.

- 1** The member is a customer
- 2** Keep the message clear
- 3** People value different things
- 4** Listen and learn

Communication

The future of communications – technology enables member engagement

Media channels for communication / engagement



85%
administrator



76%
intranet



35%
mobile apps

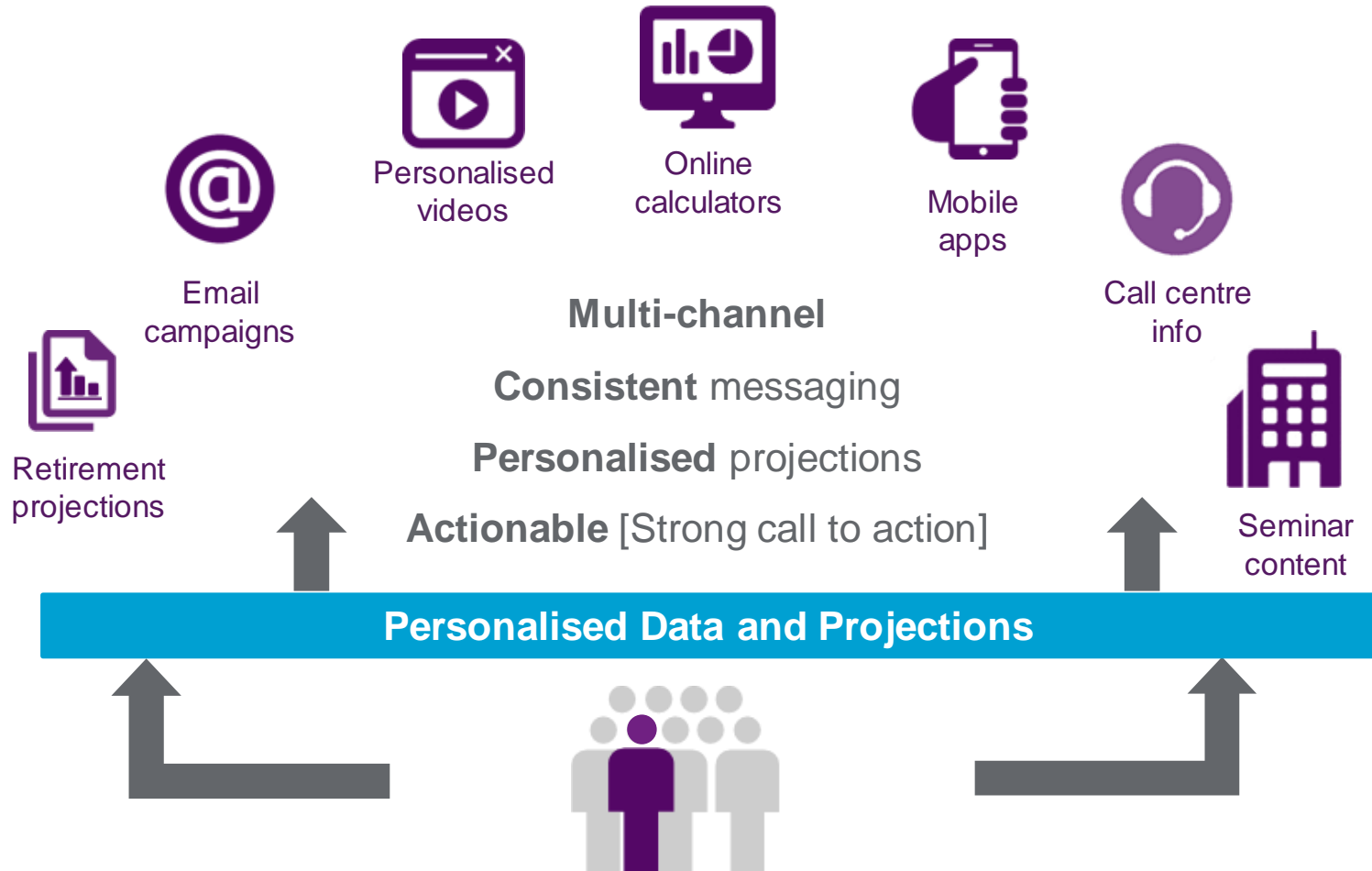


2%
social media



Smarter use of technology

To facilitate communication and education programs



Smarter use of technology

Virtual Focus Groups

The screenshot displays a virtual focus group interface. At the top, the Willis Towers Watson logo is visible. The main title is "A chat with your CEO". Below the title, there are two participant cards: "Jennifer MODERATOR" with a profile picture and "Employees" with a group icon and "139 PARTICIPANTS ONLINE". A "LIVE 7" indicator is shown in a dark circle. A chat window at the bottom contains the message: "Welcome to our VFG platform. We will be having a conversation today so I can gather your employee feedback." The interface includes a play button, a progress bar showing 00:33, and a "Moderator" button with a settings icon.

Financial Wellbeing

Content



Self-service



Entry point

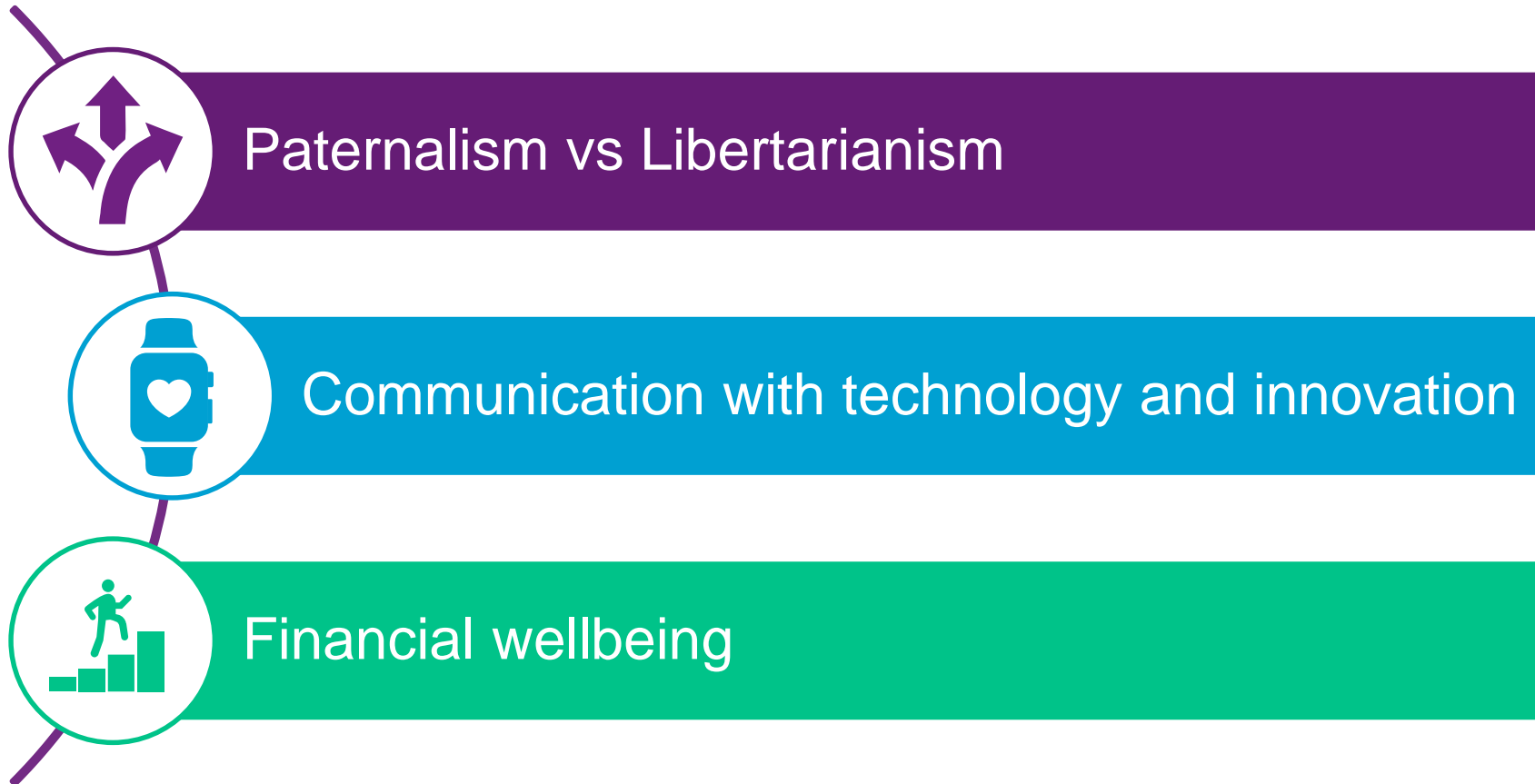


Member engagement tree



Source: [Thinking Ahead Institute](#): The engagement tree

The future member experience



Retirement Schemes of tomorrow will be different from today

Governance

Investments

**Member
Experience**



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Webinar -
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Q & A Session



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Thank You!

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