

Global Retirement Management Survey

Key Findings

March 2024

For Professional Clients Only



Global Retirement Management Survey

The aim of this survey was to understand how organisations govern their regional and global retirement arrangements. As Defined Contribution (DC) plans become the dominant way in which individuals save for their retirement, this survey placed a particular focus on DC plan governance, member outcomes and financial wellbeing.

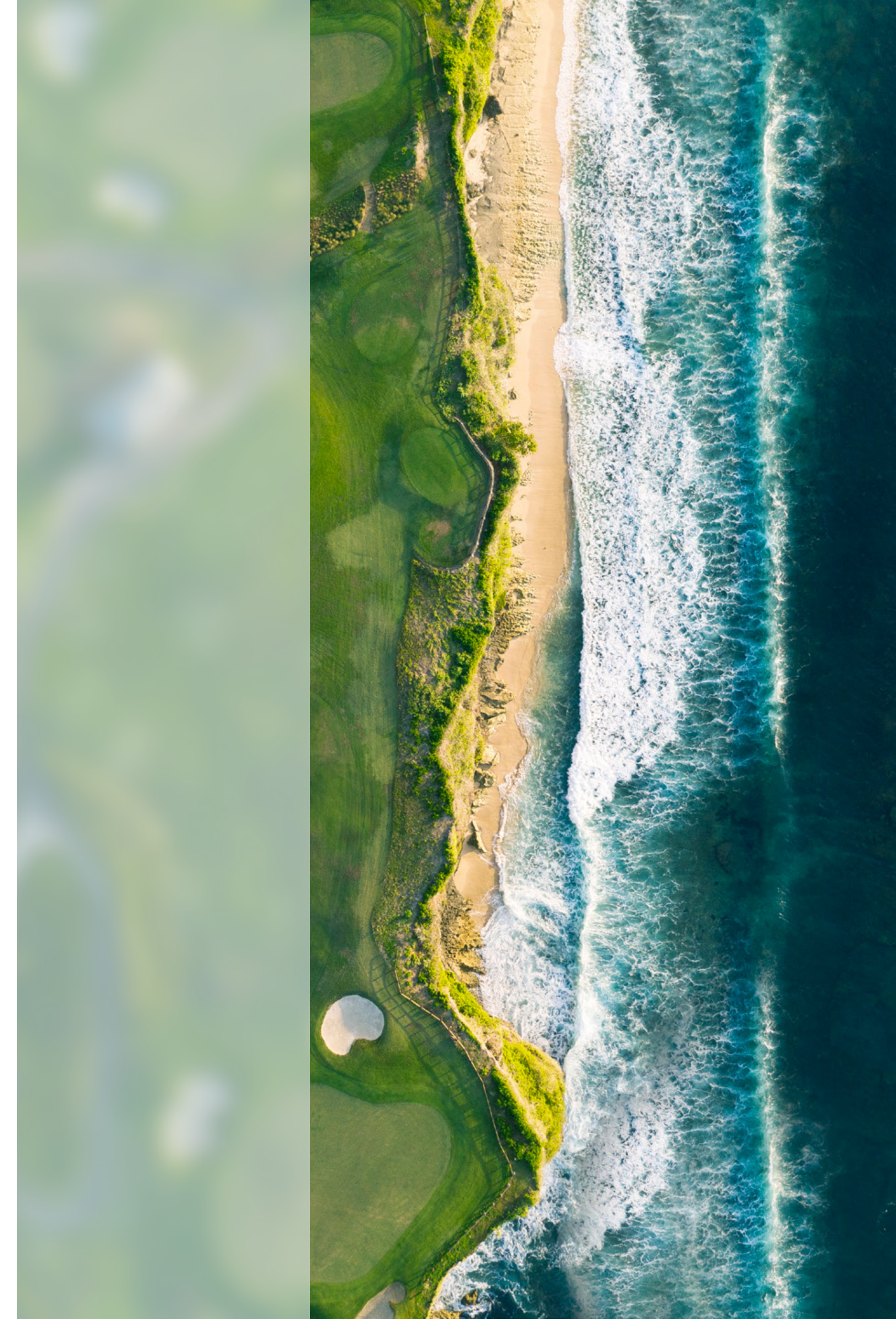
We received 137 responses from HR, Finance and Risk professionals with an international / multi-country remit. We would like to thank all those who responded for taking the time to complete the survey and sharing their views with us.

As you will see from the analysis of the responses set out in this report, progress has been made in respect of global pension plan governance since our last survey in 2021, with a greater number of organisations now having a centralised benefits strategy and oversight. However, greater focus is needed to optimise DC member outcomes, in particular to ensure:

- Retirement benefit design is compliant and competitive.
- The value of retirement benefits is not eroded by poor investment performance and provides an adequate projected retirement income.
- Employees are supported on their retirement journey through appropriate education and guidance.

We hope that you find this report engaging and insightful. If you would like to discuss any of the topics raised with one of the International Wealth Solutions team, please get in touch (contacts are listed on the back cover).

Finally, please look out for further short surveys which we plan to issue at regular intervals in the future, to focus on different trends emerging over time.



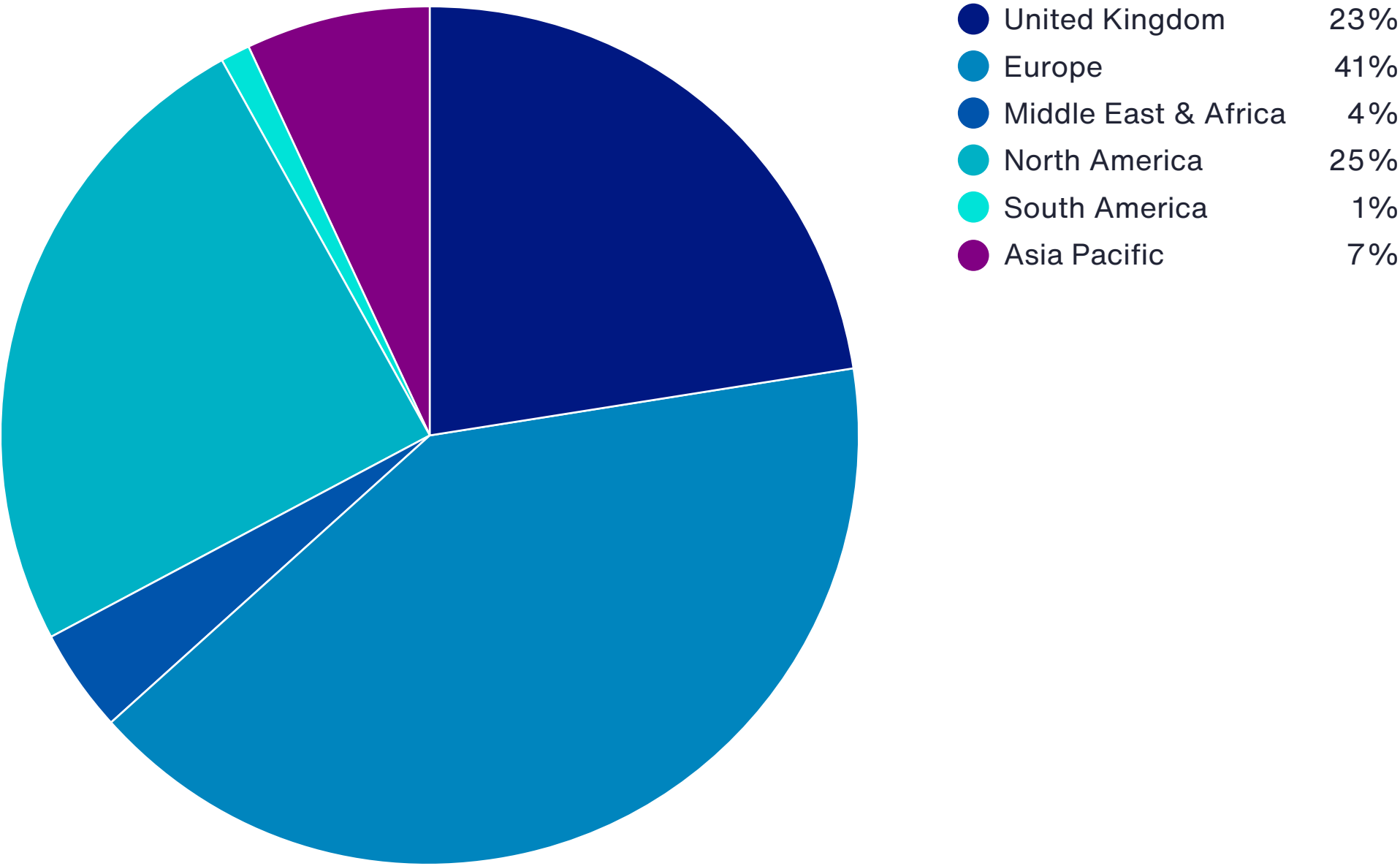
Survey Profile

Breakdown of Survey Participants

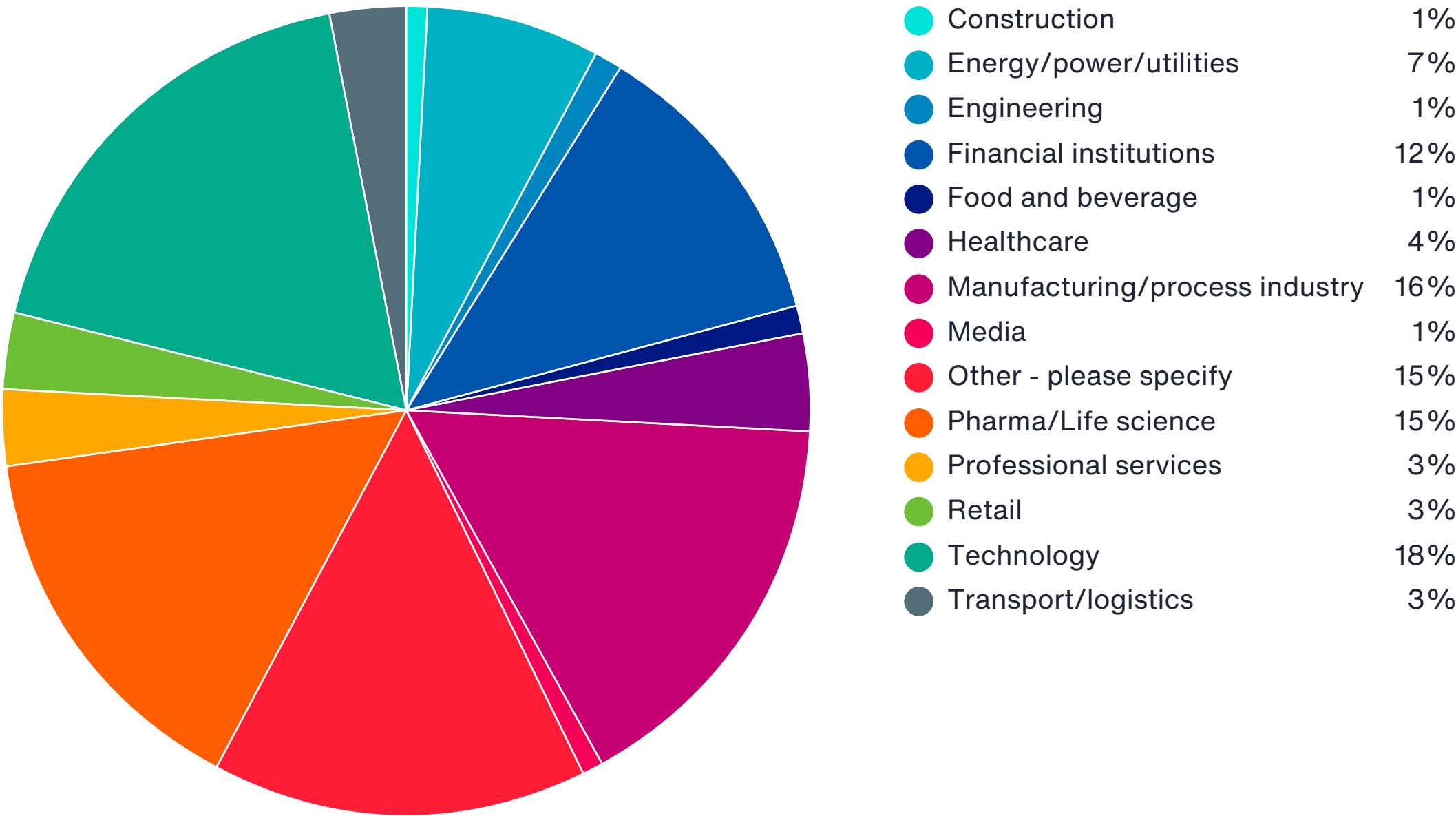
Survey Profile

We had 137 respondents to our Global Retirement Management Survey, based across a wide range of countries and representing most industry sectors. The majority occupy roles within Compensation and Benefits, Reward or HR functions and look after both Defined Benefit (DB) and Defined Contribution (DC) plans. Summary of respondents by:

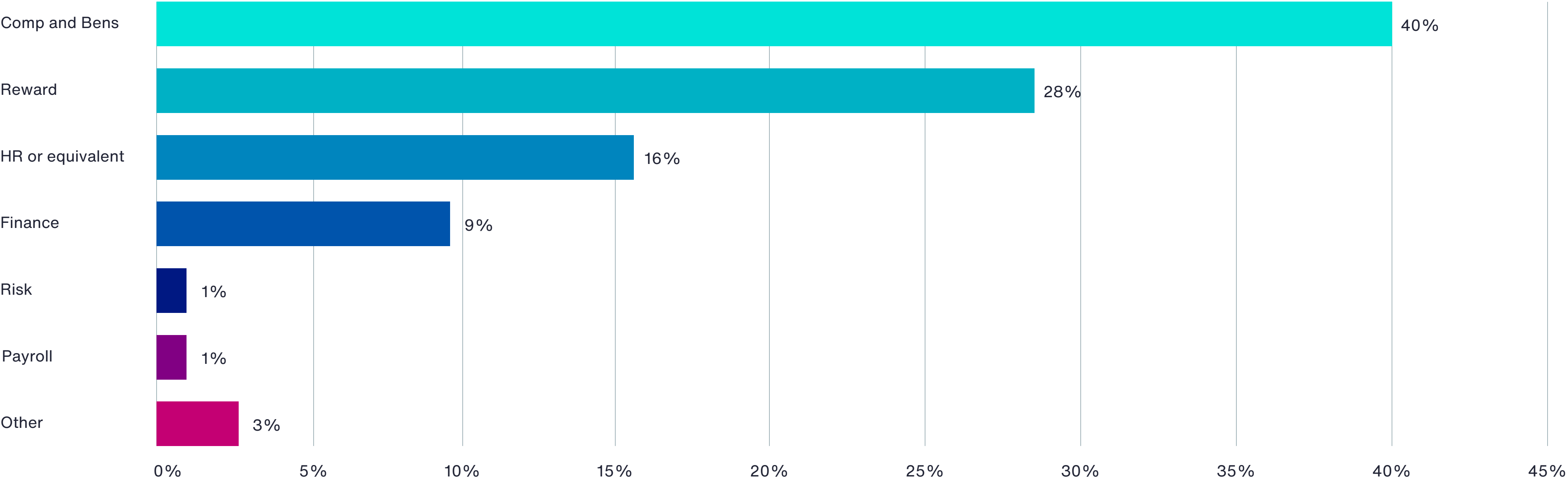
Region



Industry Sector

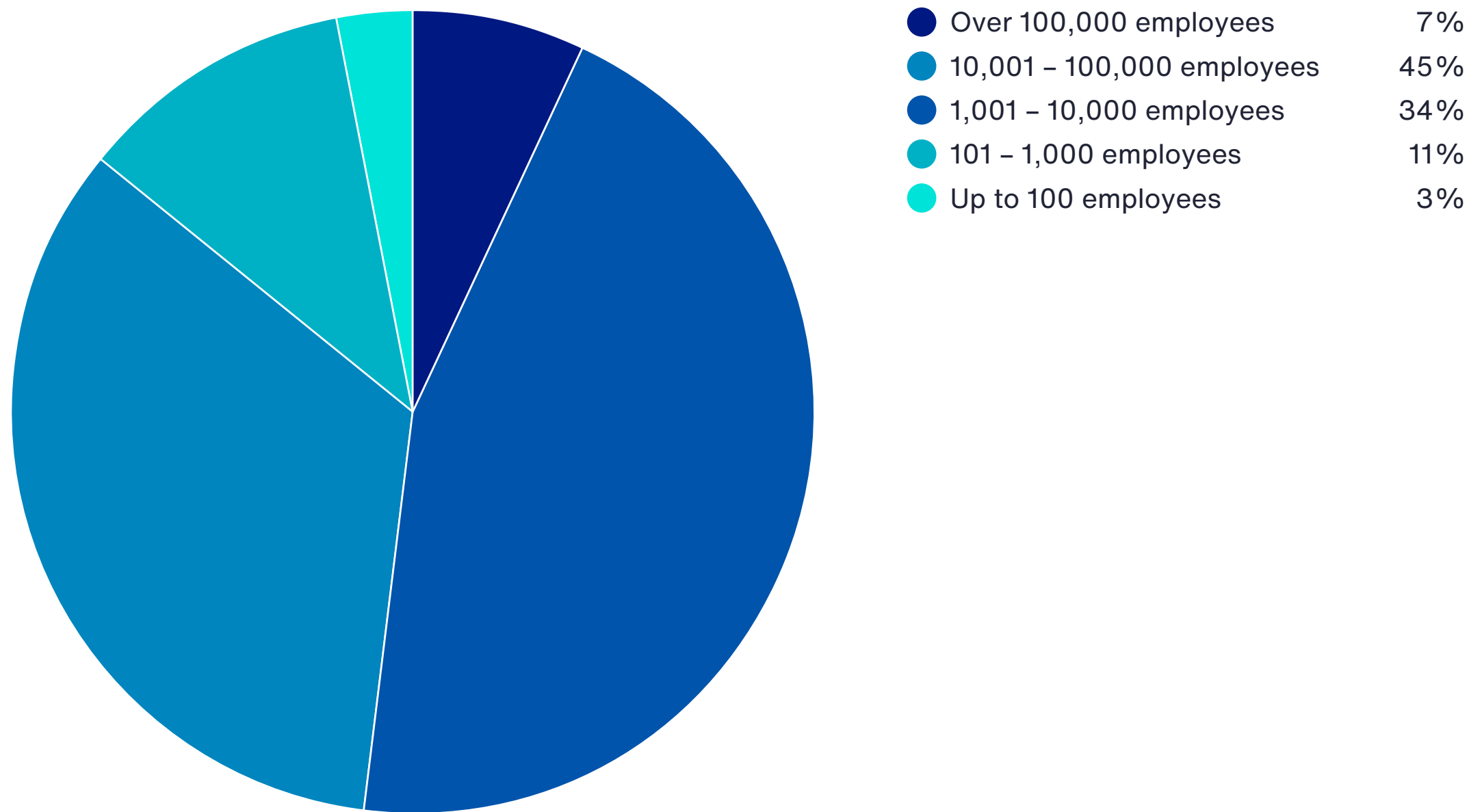


Function

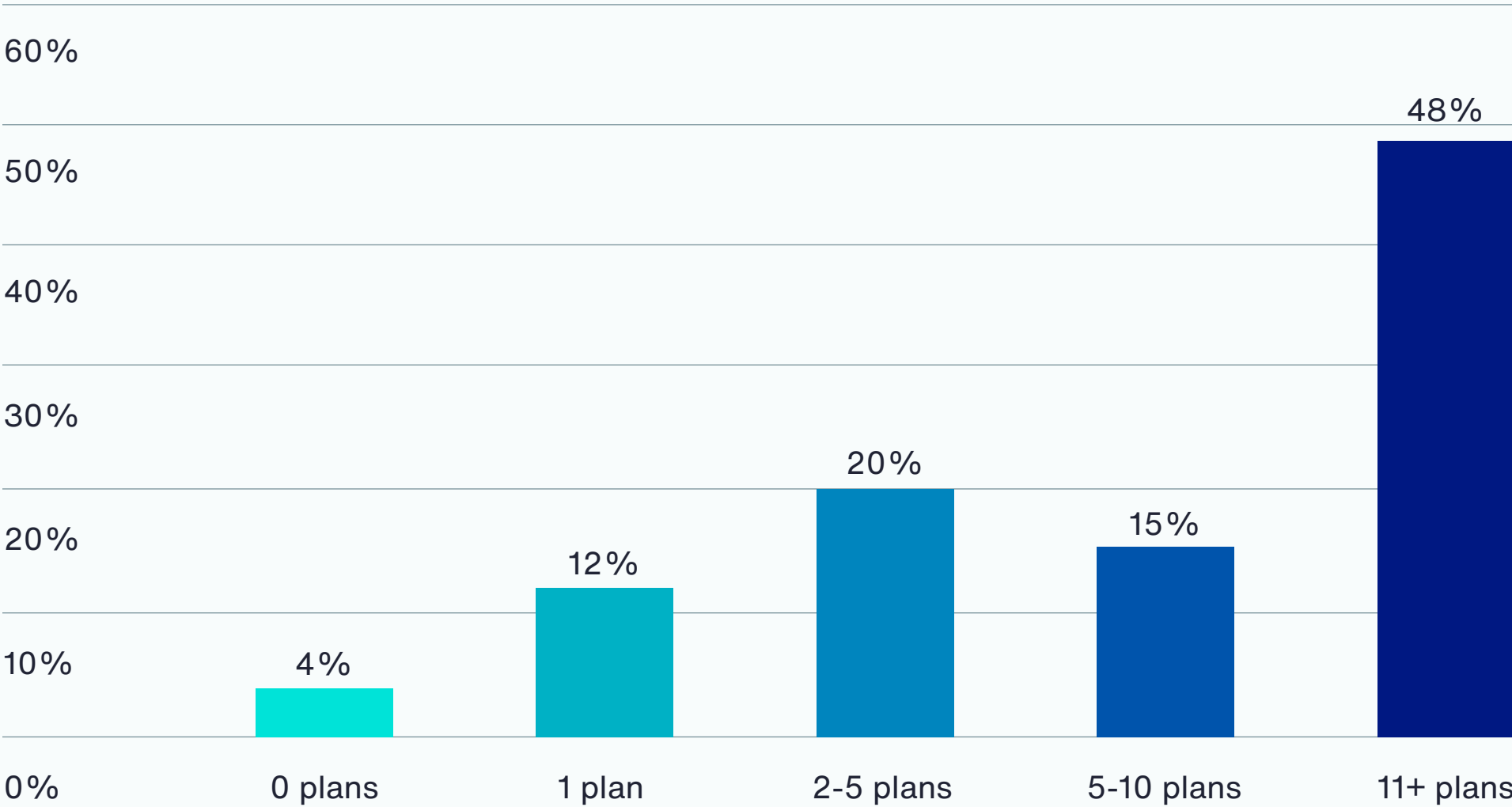


Summary of Headcount and Plan Scope Within Remit

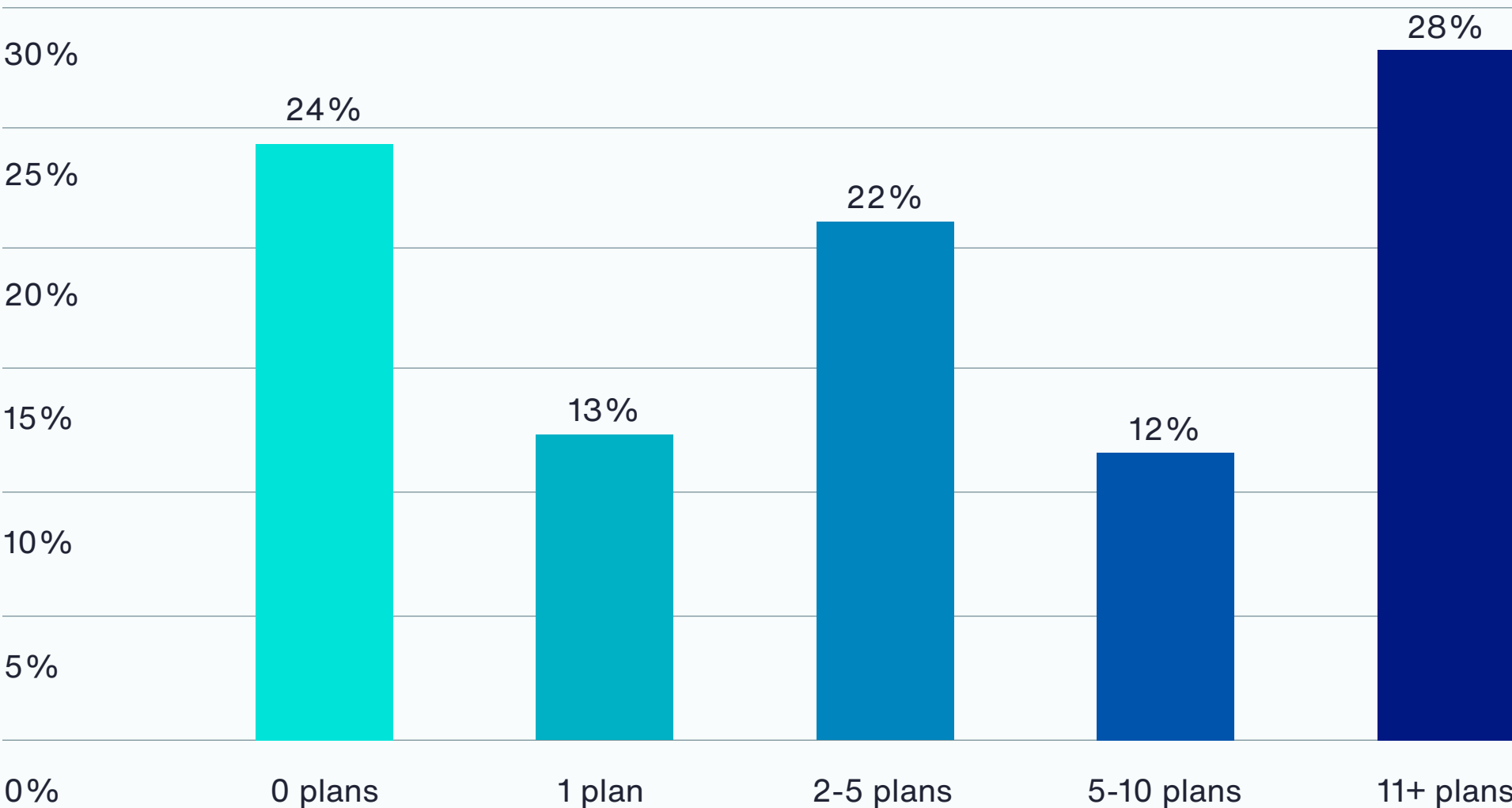
Headcount Within Remit



Number of DC Plans Within Remit



Number of DB Plans Within Remit



Global Retirement Management

What Approaches are Companies Employing?

Global Retirement Management

Centralised Benefits Philosophy or Strategy

84% of respondents have a centralised benefits philosophy or strategy, of which 77% of these apply the strategy globally.

In the past years, multinational companies have started to acknowledge the importance of having clear strategic policies and a robust operating model in place at a global level for their retirement plans, to minimise risks and achieve cost efficiencies. Historically, many organisations have found it challenging to establish effective governance processes; however, our survey highlights that employers seem to be making good progress in this area.

By putting in place a centralised benefits philosophy or strategy, organisations can achieve greater global consistency and structure around the design, financing and operational management of their retirement plans.

As a result, they are better placed to ensure their plans remain compliant and competitive and are managed appropriately.

Oversight of Global Pension Plan Management

Around 60% of respondents have a global and / or regional committee or group that oversees pension plans.

Establishing a clear decision-rights allocation framework is fundamental to operationalise a company's benefits strategy; this ensures that all parties responsible for the ongoing management of the retirement plans understand how to adhere to the guidelines in practice and implement them effectively.

As our survey shows, many companies have set up a global and / or regional group or formal committee to provide overarching oversight for their retirement plans. The majority of these groups focus on the larger pension plans within the organisation as opposed to all pension plans. It is important to ensure that less material plans are not overlooked in the governance process, so that any inherent risks can be addressed proactively. This can be achieved by establishing robust ongoing monitoring and reporting processes (potentially using a tiered approach based on materiality of the plans) and ensuring appropriate allocation of roles and responsibilities.

Team Utilisation

Over 60% of respondents report having at least some time for more added-value areas, in addition to 'Business As Usual'.

Respondents typically focus on Business As Usual (BAU) activity for their retirement plans but reassuringly, the survey shows a significant number still have time for more strategic / added-value areas. This supports the earlier finding that companies are making good progress in improving their pension plan governance and suggests employers have taken steps to minimise their team's governance burden (e.g. through delegating specific plan functions, moving to a master trust or multi-employer structure).

We note there is a fairly even split of respondents who focus mainly on DB plans, mainly on DC plans, or both.

DB Plans

Around 70% of respondents with a long-term DB strategy in place intend to close their plans to new members, with the majority also planning to stop future accrual.

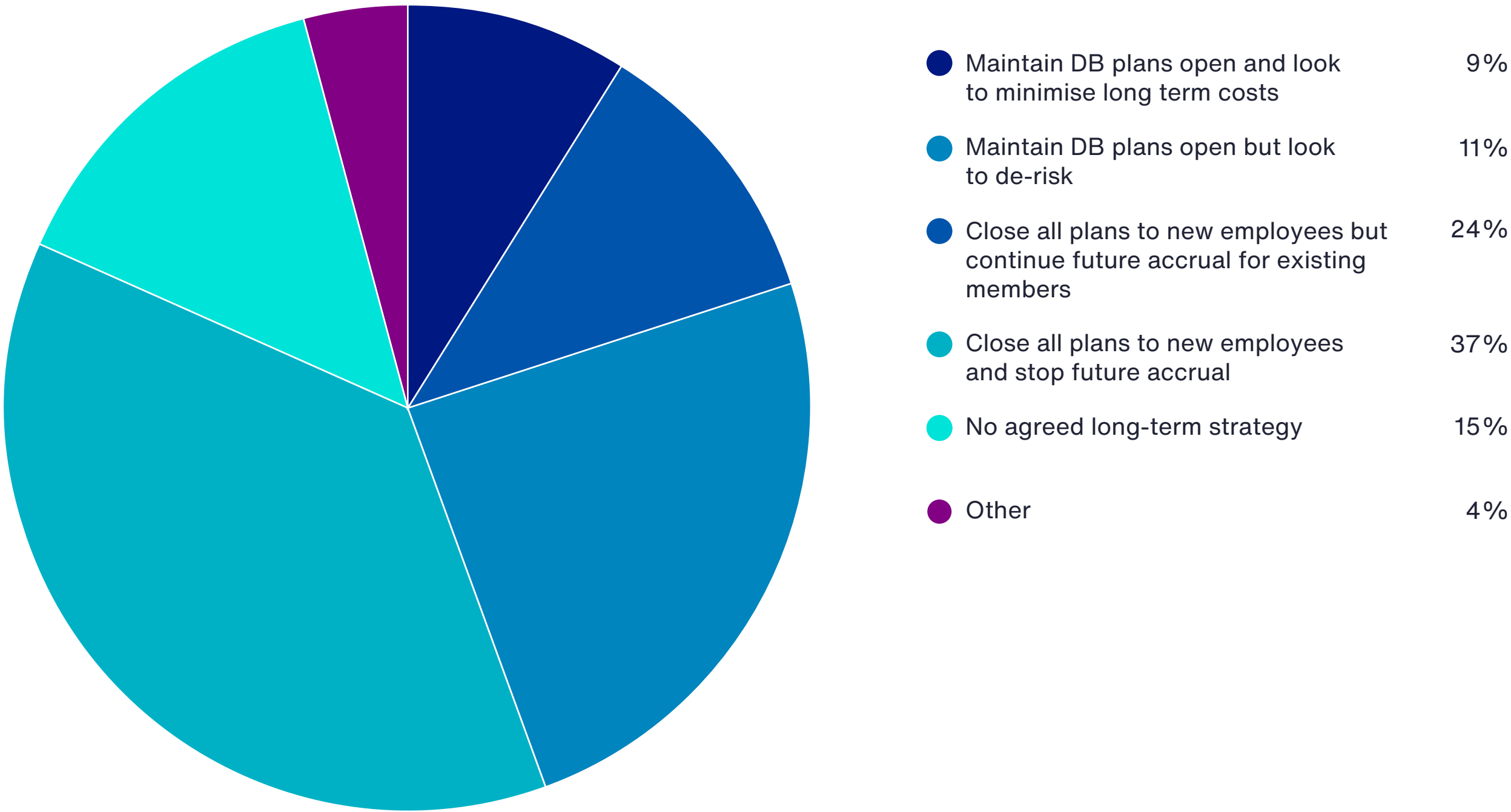
The above result increases to 80 percent for respondents with 11 or more DB plans in their remit.

15 percent of all respondents have no agreed long-term strategy in place for the DB plans in their remit. Interestingly, companies without a long-term strategy are more likely to:

- Not have a global/regional committee in place to oversee their retirement plans; or
- Carry out the accounting consolidation on their global DB plans in house, without the support of a global actuary; or
- Employ different local actuaries for at least 50 percent (if not all) of countries with a DB plan, despite appointing a global actuary.

This further demonstrates the advantages of establishing a global and / or regional group or formal committee to oversee retirement plans, and suggests there are likely to be strategic benefits of having a global actuary with the same actuarial firm in place for local appointments (the latter approach is currently adopted by just over 30 percent of respondents with DB plans in their remit).

Long-Term Strategy for DB Plans





How Aon Can Help

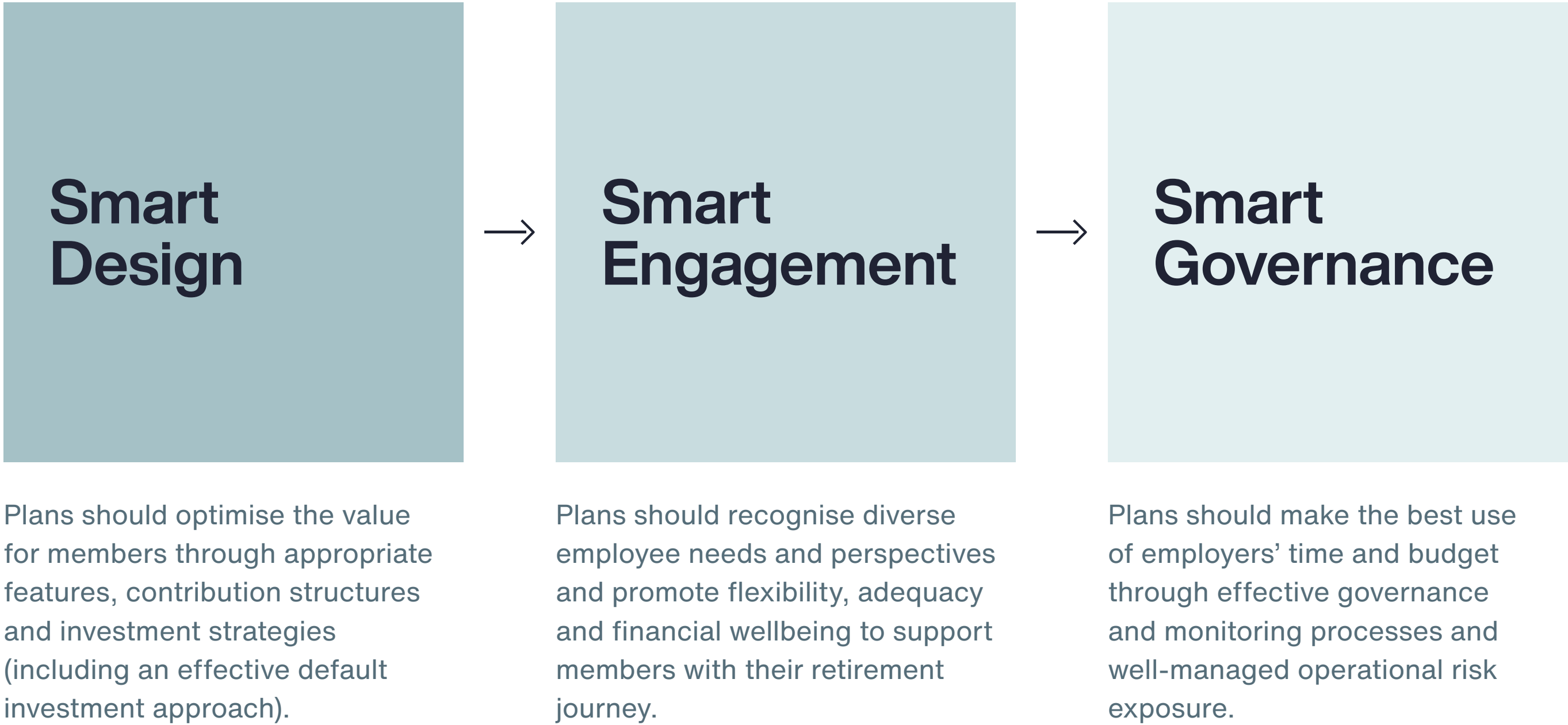
Through our suite of consulting services and established global network, we partner with multinational companies to develop a structured governance approach to managing their global retirement plans. From developing corporate guidelines and defining associated decision-rights, to reviewing plan alignment and prioritising opportunities including endgame planning, we assist companies with optimising global retirement plan management and reporting, while ensuring the plans remain compliant and competitive on an ongoing basis.

Our approach is supported by Aon's Risk Analyzer platform, which helps multinational companies to proactively manage risks and identify opportunities in their global retirement plans through a series of real-time data-driven insights and analytics.

Global DC Journey

Global DC Journey

At a global level, we consider the following three principles essential to managing effective DC plans and achieving a positive impact on individual outcomes:

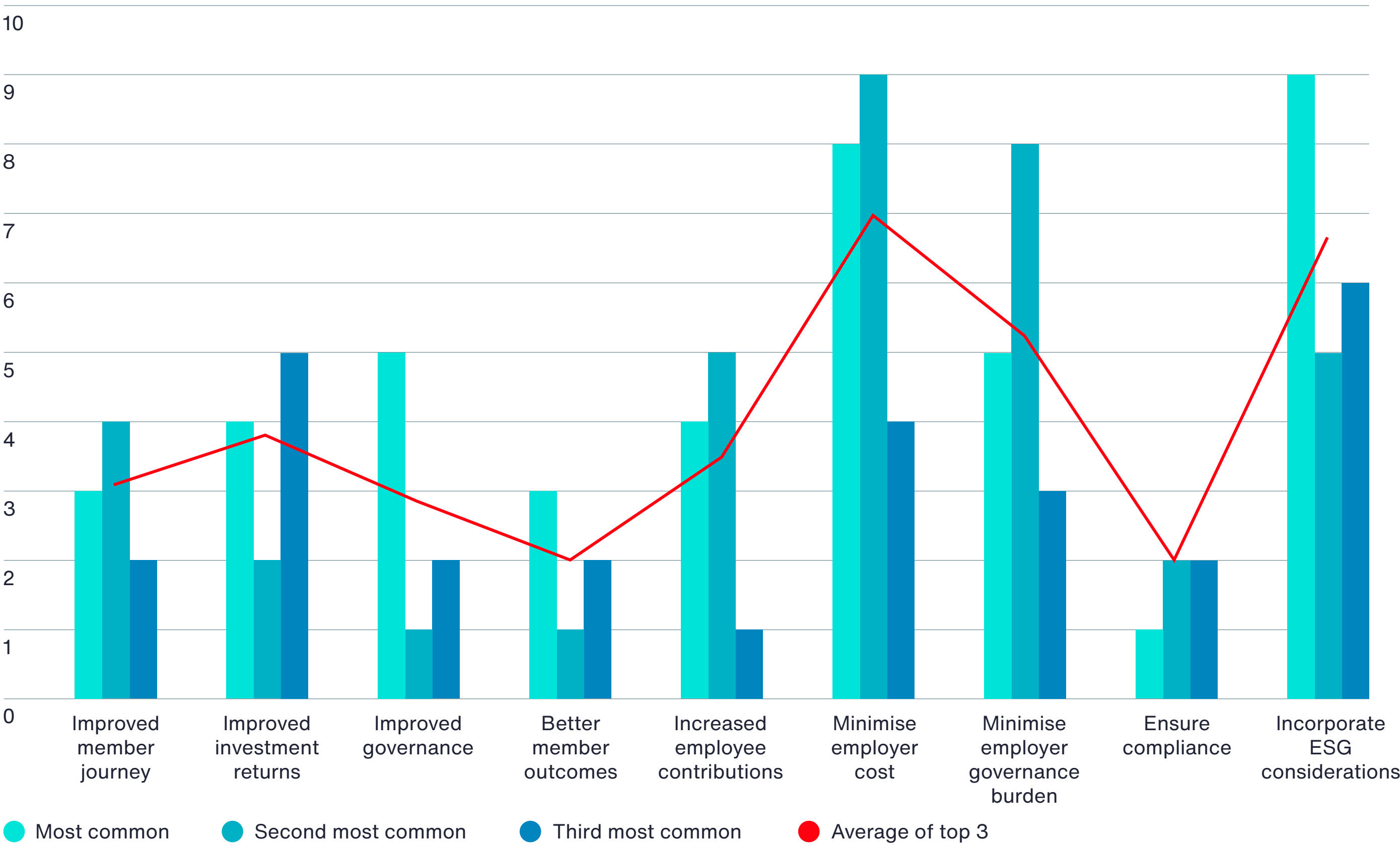


At a high level, we can see multinational companies are predominantly focused on ensuring their DC plans remain compliant in the ever-changing legislative environment, and that they provide an optimal experience and outcomes for members (the lowest ranked objectives on the graph).

The responses support the earlier finding that many organisations have already taken steps to minimise their governance burden, although companies recognise that further improvements can still be made from an overall DC plan governance perspective.

Interestingly, objectives relating to the design of DC plans seem to be the least important for respondents, with few companies looking to minimise employer cost or incorporate ESG considerations (the highest ranked objectives on the graph); conversely, incorporating ESG considerations is one of the top objectives amongst financial institutions respondents. However, organisations still want to ensure that members are receiving appropriate returns on their investments.

DC Plan Objectives



Note that the objectives are ranked in terms of 1 being the most important and 10 being the least important

Smart Design

Smart Design

Current DC Benefit Design

Only 55% of respondents can say, with certainty, that they know how the value of their DC plan benefits (for at least their largest plans, if not all plans) compares to their peer group or the wider market.

The highest proportion of those who do not know, or have limited data, are in the construction, energy/power/utilities, and engineering industries.

Best practice shows companies should benchmark the design of their global retirement plans at least every three years, to ensure they align with the local market and their peer group as well as local legislative requirements. By not carrying out such an exercise, organisations risk their retirement plans delivering poor value for members and the business, potentially impacting recruitment and retention.

Future DC Benefit Design

72% of respondents plan to maintain the same DC benefit design over the next three years, or be guided by local market data and trends.

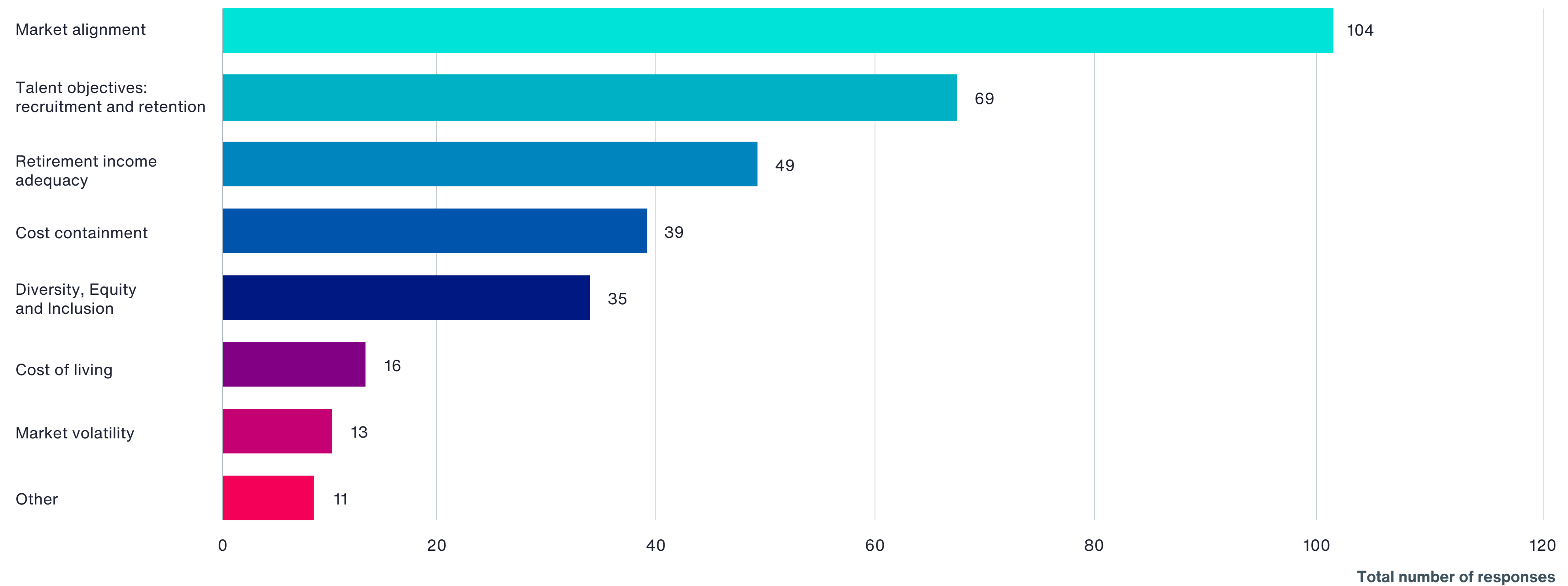
Ensuring market alignment, retirement income adequacy and optimising recruitment / retention are the key drivers for how respondents intend to approach their DC benefit design over the next 3 years, as shown in the graph overleaf. From an industry perspective, in addition to these key drivers, financial institutions are also focused on Diversity, Equity and Inclusion (DEI) considerations, whereas technology companies are more focused on cost containment.

Interestingly, cost of living and market volatility are the least important drivers for future DC benefit design changes, suggesting that companies see the market as having recovered somewhat.

We note that around 40 percent of those who do not know how the value of their current DC plan benefits compares to their peer group or the wider market intend to maintain the same benefit design over the next 3 years. This in turn could lead to potential significant gaps in benefit outcome for members and/or lost efficiencies for the company, whilst at the same time potentially impacting recruitment and retention.



Key Drivers for Making Changes to DC Plans





How Aon Can Help

Aon's DC Scorecard is a high-level diagnostic tool, designed to help employers quickly benchmark the key features of their DC plans around the world and determine where improvements can be made to benefit members and the company. It is offered as a global version covering all DC plans, and with a more detailed DC scorecard available for key countries.

With the global DC landscape continuously changing to reflect new legislation and employment trends, DC Scorecard enables multinational companies to ensure their plans are compliant and competitive.

Smart Engagement

Smart Engagement

Retirement Adequacy

Only 13% of respondents are confident that they have good visibility into the levels of DC savings of their workforce, so as to understand how prepared they are for retirement.

This result is consistent with global market data, which shows that organisations globally lack information in this area and are increasingly looking to understand:

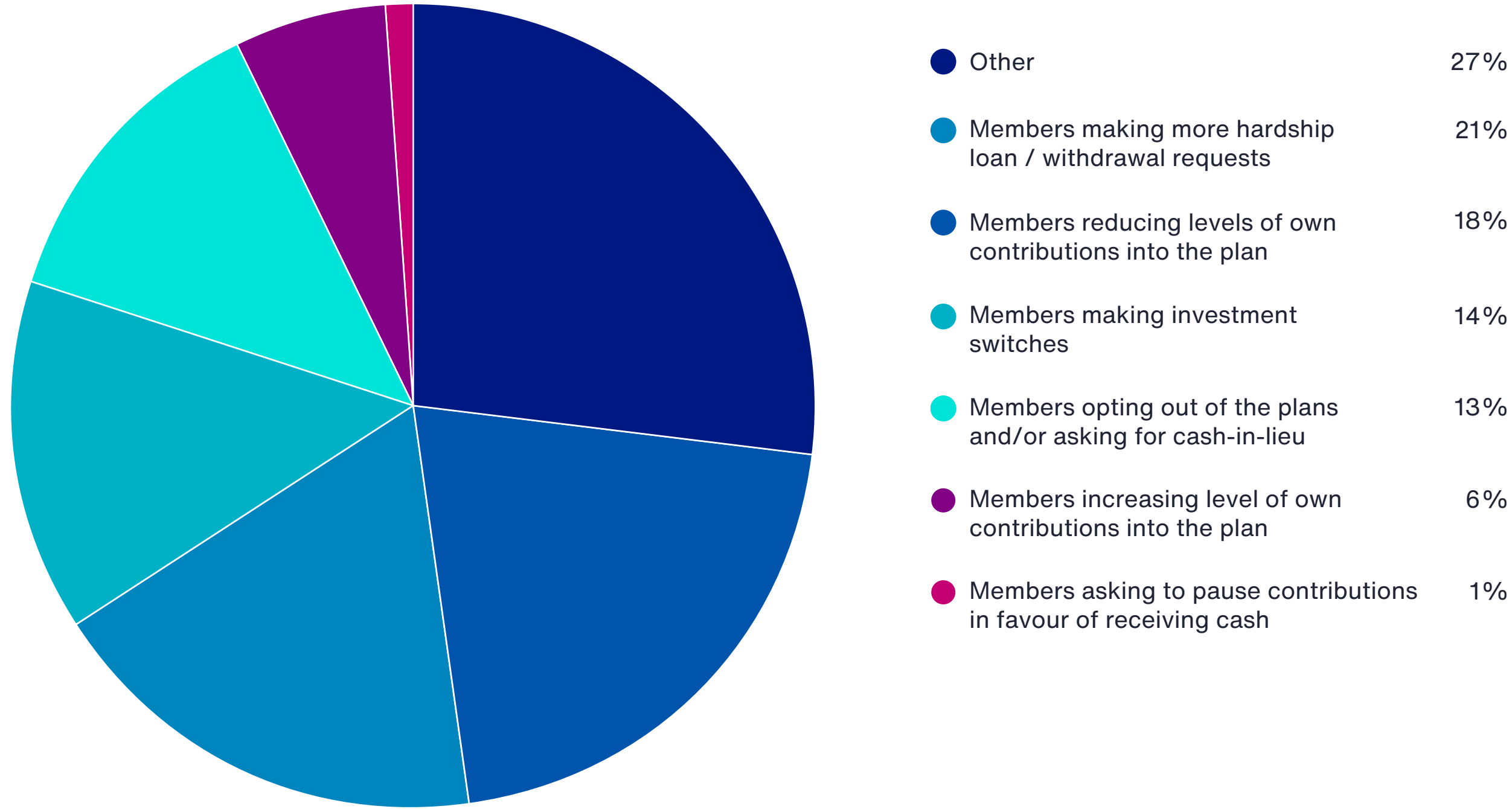
- How many of their employees around the world will be able to retire at an age of their choosing.
- Employees' projected retirement income at their target retirement age.
- The associated business impact of employees retiring later (particularly as a one year delay in retirement age can cost employers 1 percent - 1.5 percent of their total workforce costs¹).

The survey data identifies 18 percent of respondents who view this as an employee responsibility. However, at a global level, employees are looking for support in this area and are requesting more guidance from their employers on how much to save to be able to retire on an adequate income. This has become particularly important in recent years, with high levels of inflation and the cost-of-living challenges impacting members' ability to save sufficiently for retirement; however, over 50 percent of respondents do not know what impact these issues have had on their DC members' behaviours.

¹ Prudential - Why should employers care about the cost of delayed retirement



What Impact Have Recent High Levels of Inflation and the Cost-Of-Living Challenges had on DC Member Behaviours?





Gender Pension Savings Gap

Around 90% of respondents do not know what their current gender pensions savings gap is across the regions in their remit.

Again, this result is consistent with global market data which shows many multinationals lack this knowledge and are increasingly looking to understand their gender pensions savings gap around the world (which can vary significantly by country).

This is particularly in light of increasing regulatory requirements to report on the gender pay gap and the fact that on average, the gender pension gap is expected to be around double the gender pay gap.

Financial Wellbeing

90% of respondents are running or intend to run financial wellbeing initiatives.

Financial wellbeing has been a hot topic amongst organisations for the past few years, with employers focusing more on improving members' engagement and understanding of their DC plans. This has been particularly important during the recent pandemic and cost-of-living challenges, to help members make educated and appropriate decisions based on their individual circumstances.

The above result recognises this trend; and of those running or intending to run financial wellbeing initiatives, 15 percent are specifically in response to the cost-of-living challenges.

How Aon Can Help

Aon's Global Gender Pensions Gap Analysis enables multinational companies to quickly assess the gap between retirement outcomes for their male and female populations on a country-by-country basis. This is supported by Aon's Better Pension Outcomes Analysis, which assigns a retirement target to each member to determine the likelihood of this being achieved. By understanding where any shortfalls exist, organisations can quickly determine where simple changes (e.g. in benefit design, eligibility criteria, communication strategy) can have a significant impact and which countries require more focus.

To support employees with their financial wellbeing and improve their relationship with money, Aon's Money Habits platform provides a suite of on-demand video episodes in fourteen languages and an employee action planner. This can be supplemented by live webinars, with topics customised to complement companies' wellbeing strategies.



Smart Governance

Smart Governance

Investment Performance Monitoring

64% of respondents review the investment performance for their largest 3-5 DC plans at least annually, with around half of these reviewing it quarterly.

Best practice shows companies should review the investment performance for their material DC plans at least annually against appropriate benchmarks and objectives, to ensure they optimise value for members. The survey results highlight that most respondents are in line with best practice, although we note that 17 percent reviewed the investment performance for their largest DC plans more than three years ago or not at all.

Investment performance for other less material DC plans should be reviewed at least every three years. Again, 60 percent of survey respondents are in line with this approach, of which more than half review the investment performance for the rest of their DC plans at least annually. Worryingly, 28 percent of companies have never reviewed this or do not know when this was last reviewed, which could lead to potential significant gaps in benefit outcome for members.





How Aon Can Help

Aon’s Global DC Tracker is a simple analytical tool that enables companies to benchmark their global DC investment funds against three performance metrics: returns, expenses and responsible investments (ESG).

It also provides an estimated value of lost opportunities (including lost returns and / or excessive fees) to enable employers to take quantifiable actions to improve member outcomes and reduce unnecessary spend.

This is supported by Aon’s Global RI-360i, an interactive online tool providing a range of metrics on each investment fund in respect of ESG ratings, carbon footprint and the weighted average carbon intensity. This enables multinational companies to proactively identify and manage the associated risk exposures from ESG factors, to keep pace with the rapid development in ESG measurement and reporting.

What Next?

What Next?

It is clear that progress has been made over recent years with regards to global pension plan governance, with a greater number of companies now having a centralised benefits strategy and more time to focus on strategic / added-value areas.

However, greater focus is needed to optimise member outcomes, and this is recognised as a key objective by many multinationals.

The first step for employers is to ensure their global DC plans are aligned with the local market, their peer group and local legislative requirements. Decisions can then be made on how to provide better support to increase value, ensure retirement adequacy and mitigate risks.

Engaging employees with their retirement plan through appropriate education and support is essential to helping them on their retirement journey; this is particularly important given recent global economic challenges, which have impacted members' ability to save effectively.

From an ongoing perspective, employers should establish appropriate monitoring and reporting processes for all pension plans, to ensure they continue to meet the company's objectives, remain locally compliant and, critically, deliver the best possible outcomes for members.

To discuss any aspect of this report please speak to your usual Aon representative, or contact one of our International Wealth Solutions team listed overleaf.

Finally, please look out for further short surveys which we plan to issue at regular intervals in the future, to focus on different trends emerging over time.





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