

AON RETIREMENT SOLUTIONS

**“Challenges and solutions for Fund Members
retiring during Covid -19 crisis”**

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25 March 2021

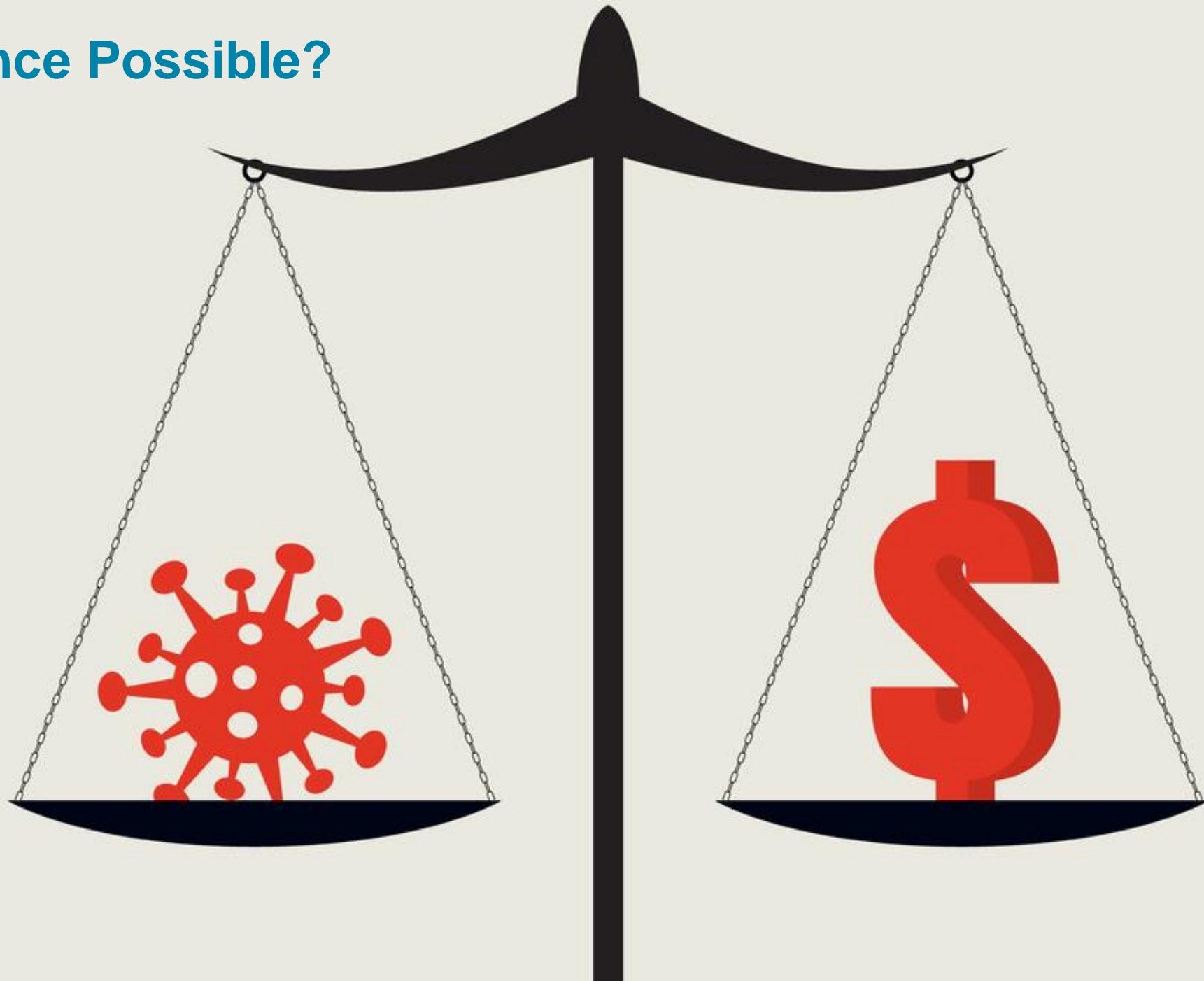


Impact of Covid on Our Lives

- Covid-19 has come as a shock.
- Widespread fear and panic around the globe.
- Botswana Government imposed a national lockdown and trade restrictions.
- Trickle-down effect to the business community and ordinary citizens.
- Threat to existence of many companies
 - Uncertainty
 - Financial losses
 - Closure



Is a Balance Possible?



What's does this mean for members?

- **Unplanned Retirement**
- **Poor Retirement Planning**
 - No option to save longer
 - Forced Into Debt or Defaulting on Debt
 - Use of Commutation Portion to settled debt
 - Lasting Negative Impact
- **Retirement return to Employment**
- **Low Annuity Rates**
 - Age Factor/Life Expectancy
 - Low Annuity Purchase Amount



Reality of Retirement – NRR Targets



Maintain or improve your standard of living.



A useful tool which can guide your retirement planning is using a Net Replacement Ratio (NRR).



NRR is the member's pension at retirement, expressed as a percentage of his or her projected salary at retirement.



Aim is to close retirement gaps and under funding before retirement age.



Debates around the main causes of low NRR.



**Target NRR is between 60% – 75%.
Current NRR are between 25%- 60%.**

Factors Affecting the Net Replacement Ratio



Investing for the Long Run vs Short Term Volatility

- Spike in volatility globally.
- Moderate returns for Local Pension Funds - 31 December 2020
- Retirement portfolios are diversified with a long-term objective.
- Short-term market noise usually doesn't have much of an impact on member benefits
 - Unless they are nearing retirement
 - As opposed to younger members who have a longer period of time to recover.



Member Retirement Readiness

- Covid-19 and being forced into retirement may also have benefits:
 - Opportunity to pursue entrepreneurial interests
 - Utilize lump sum of money to invest.
- Members start panicking once they near retirement age;
- It may be too late;
- Individuals are failing to meet their desired retirement outcomes
- Administrators and consultants can play a bigger role to assist.



Member- Centric Communication

Practical engagements that are relevant to a member's situation.

4IR - Trend towards digitization.

- We are within the 4th industrial revolution.
- Integrate our lifestyles, decisions and behaviors to develop solutions.
- Artificial Intelligence (AI) to develop financial forecasts for members.
 - collecting and analyzing factors like debt, assets, income and expenses to retirement
 - determine the best plan for your individual situation.
- Improve communication and digitize operations
- Explore use of latest technology developments

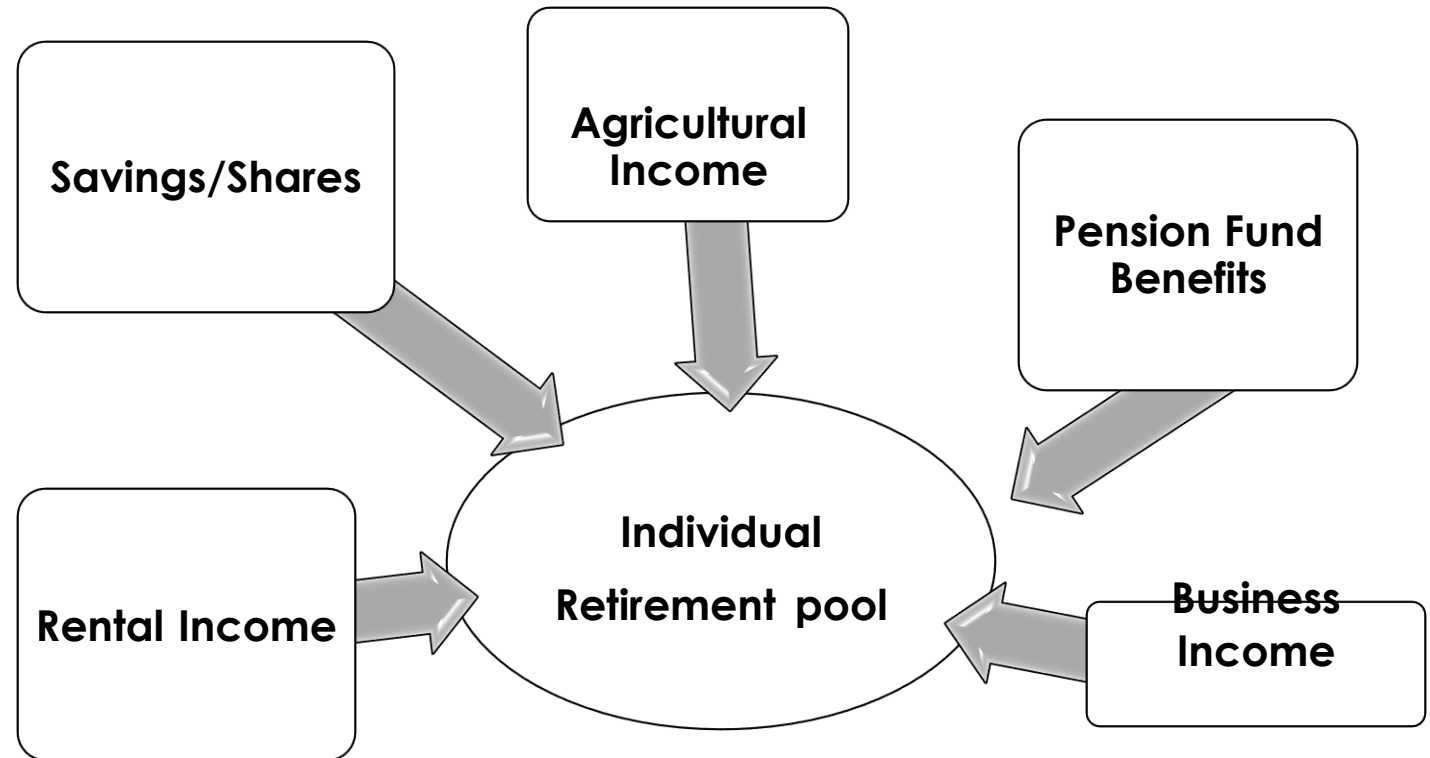


Where should our focus be?

- Communication - Underestimating the cost of Retirement
- Non-Preservation - Refrain from cashing Pension savings when changing jobs
- Debt Management - Settlement of debt prior to retirement
- De-risking Strategies - A well diversified and long-term strategy
- Additional Voluntary Contributions - Dependency on Employment contributions
- Use of Technology to improve engagement and planning with members
- Plan ahead and consult financial planning consultants

What to consider before Retirement?

1. Evaluate sources of income
2. Level of Expenses
3. Manage Debt
4. Cost of Health Care
5. Assess your cash reserves
6. Review your estate plan – protect assets
7. Engage a Financial Planner



Thank You.

