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Benchmark Retirement Fund Replacement Ratios

Appendix A

The following table represents some salary replacement ratios:

NET contribution towards retirement i.e. AFTER all costs for risk and administration etc (as % of pensionable salary)					
Investment Return for 30 years before retirement (after fees)	8%	10%	12%	14%	16%
CPI + 5%	43%	54%	65%	75%	86%
CPI + 4%	36%	45%	54%	63%	72%
CPI + 3%	30%	38%	45%	53%	60%

The Trustees consider an appropriate post retirement income to be 60% of pre-retirement pensionable income after 30 years of service (assuming that 2% accumulates for each year of service). This ratio is defined as the salary replacement ratio. The above table stipulates a range of ratios for various net retirement funding contribution rates and assuming retirement at age 60. Other assumptions are:

- **Real rate of return before retirement is dependent on the investment portfolio chosen;**
- Investment return after retirement age is 3% real for all scenarios;
- Pension payable as long as member lives after retirement (assumed average of 20 years);
- Inflation rate assumed is 7% per annum;
- Annual pension increase of 75% of inflation assumed;
- No break in service or 100% preservation of accumulated fund credit where there is a change of employer;
- Full fund credit available on retirement (one-third and two-thirds) is used to generate the pension;
- Effect of tax is not taken into account.