

PPI Roundtable

Let's Talk about Engagement

Overview



On 20th September 2023 the PPI hosted a virtual roundtable which was kindly sponsored by USS on the topic of member engagement, to inform the first of two outputs in the Engagement Series, a Briefing Note, which will be released on Monday 16 October 2023. The Engagement Series seeks answers to the three questions:

- How can engagement with pensions be defined in the UK?
- Who could benefit from becoming engaged?
- How can this be fostered?

The Engagement Series is sponsored by Aegon UK, Punter Southall, Royal London, Standard Life and USS. The roundtable was chaired by **Daniela Silcock, Head of Policy Research (PPI)** and was attended by around 40 people representing a cross section of the industry. The roundtable was held under the Chatham House Rule.

Research Findings

Lauren Wilkinson, Senior Policy Researcher (PPI), summarised the findings of the research to date:

An overview of the current engagement landscape

In recent years the pensions industry has been focussed on increasing engagement levels:

- Increasing innovation into new digital channels,
 - This shift may exclude certain parts of their membership;
- Timing engagement to arrive at the right moment.

Engagement that is designed to target better outcomes needs a wider audience than pension scheme members and a wider scope than pension information:

- Non-pension savers can also have outcomes improved;
- Information beyond the pension scheme, including financial education, can improve outcomes.

There is increased measurement of engagement being undertaken, which is facilitated when engagement operates through digital channels.

There are significant barriers to overcome, from inertia, perceived complexity and other personal priorities. This results in a landscape of low engagement and knowledge.

Higher levels of engagement are expected to improve retirement outcomes but there are limits to the level of engagement that can be achieved and some people will not be able to achieve positive outcomes through engagement alone. For some people, engagement could lead to a negative outcome if, for example, they make a poor active decision rather than being defaulted into an option which would deliver better outcomes.

Defining engagement

There is no single definition of engagement and its aims. There are two predominant views:

- Engagement is a tool to achieve better outcomes;
- Engagement is the goal.

There is a degree of alignment between these despite different underlying philosophies. The stages of engagement and the impact can be considered in three stages:

1. An initial engagement
2. An increased understanding
3. Taking timely action

Within this many individuals' engagement journey may be limited due to various reasons.

The impact upon different members

There is a spectrum of engagement, from fully engaged and capable to fully inert and people may move within this in their lifetime.

There are several characteristics which determine where to place people on the spectrum including demographic factors such as age, gender, and background as well as financial wellbeing and economic factors. Personality traits that influence behaviour are also a key feature.

At different points on the spectrum engagement requires different focussed objectives, from providing advice and guidance and facilitating active choices to simply offering access to portals for information and awareness.

Sponsor Response

Dean Blower, Head of Strategy and Insight (USS), responded to the findings reflecting on the importance of engagement as a topic, especially in the context of the evolving pensions market in the UK and the necessary combining of active decisions with sensible nudges and choice architecture. He also made reference to the particular story of USS, which as a hybrid scheme providing a mixture of both Defined Benefit and Defined Contribution benefits sees engagement as more important than ever before.

Mechanisms for reaching members and the way the scheme places member engagement into its organisational culture and processes have changed in USS, with a shift towards making a direct relationship with members, making messages more relevant and personal and being clear throughout the business what good looks like. Whilst USS has important differences to many other schemes there are similar considerations across the wider industry that can be reflected upon.

He highlighted some key areas of interest from the report which he hoped would be explored further in the roundtable:

- Are there engagement outcomes that can be defined and measured consistently?
- How this interacts with value for money and the government consultations in this space.
- To what extent objectives need to vary between individuals or groups, as explored in the report.
- How useful people may find the engagement spectrum to consider their engagement delivery.
- What are the key things that members need to understand, is there an order of priority which can be defined in a framework as the report discussed?
- How pensions can be better integrated into broader financial lives rather than being treated independently of other financial considerations.

Roundtable discussion

The roundtable discussion was held under Chatham House Rule. The following topics were debated:

Good news stories and opportunities

There is evidence of a public appetite for engagement as illustrated by viewing figures achieved by broadcaster Martin Lewis.

Current developments should help improve engagement:

- Technology is improving e.g. AI and behavioural analysis.
- Data is improving, it is easier to give context to pension savings within wider financial circumstances.

There is currently a great opportunity for improvement of engagement with younger members through digital channels, of which the pensions dashboard will be part.

Potential concerns and harms from engagement

There is the potential for harm when taking an active decision. Encouraging active decisions does not necessarily lead to an improved outcome. There may be need to develop active protections to help mitigate this risk.

Particular areas of concern include:

- Scams – which are reliant on (poor) active decisions.
- Tax charges – poor decisions can lead to an increased tax liability with subsequently reduced outcomes.

Pensions public image

Pension engagement faces a significant challenge from perception of them and the industry:

- They are perceived and typically presented as complex.
 - Younger people can consider pensions to be beyond their grasp.
 - However a basic / adequate understanding is not out of reach.
- Mainstream representation tends to be negative in the media.
- Industry presents all the health warnings and risks which can make pensions seem complex and potentially as generally bad news.
 - Delivering a good news story can be more engaging to recipients.
- Industry does not reflect the constituency of their membership, which will result in disengagement from members as they may feel disenfranchised.

One size of engagement does not fit all

When considering and measuring engagement one size does not fit all:

- Need to be clear about who is being targeted with what objective with any engagement effort.
- Over personalization can be a discouragement.

Different ages of life provide changing priorities:

- Turning 55, despite being well informed, there are competing priorities which means that pensions do not necessarily get attention at a key time.
- Teenagers, younger members:
 - are engaged solely with channels such as TikTok rather than through more conventional pension communication channels.
 - Financial understanding of school leavers is poor.
 - There is a need for a message around how to start saving earlier and continually: this means that saving doesn't have to be backloaded in financial life.
- Starting pension saving:
 - Rules of thumb can be sufficient when starting pension saving, detail is superfluous.
 - More engagement when joining a new scheme can be important, e.g. to potentially consolidate.

Financial situations:

- Small pots are a barrier to engagement, multiple small pots are associated with higher disengagement.
- When pot sizes are bigger people care more. Consolidating small pots can lead to better engagement as a single higher value pot is more engageable than multiple small pots.

The self-employed:

- This group is at risk as no one is engaging with them and it is known that their pension savings are low.

Industry effort

More time and effort is being spent by industry to try and move people from inertia to engagement, but it is not having a significant impact:

- There is little evidence that the increasing sums of money are well spent or achieve the desired outcome.
- Is there value in targeting engagement before retiring in a DC environment?
- Communications are less valuable unless they are at the right time.

There can be a focus on products and solutions rather than the objectives of the individual:

- There needs to be focus on the individuals' needs when engaging.

Compliance regimes and the threshold of advice can lead to less engaging approaches from providers:

- This makes it hard for them to talk about topics such as pot consolidation.

Engagement channels and targeting

Each engagement channel presents its own particular challenges:

- Pensions dashboard is a useful touchpoint but still to be delivered.
 - It will still be a challenge to get people to engage with the dashboard when it becomes live.
 - A lot of people will need to take a decision before it becomes available.
- There is a lot of misinformation circulating online / in social media:
 - Industry is not keeping up with the impact of other communicators.

Further research

There was an appetite for further research in the following areas:

- International evidence in mature DC markets;
- Younger people before they start saving;
- Member testing of approaches.

Pensions Policy Institute

PPI

The Engagement Series is kindly sponsored by...

Standard Life

Part of Phoenix Group



USS



AEGON



Punter
Southall



ROYAL
LONDON