Engagement Pathways in Workplace Pensions – Round Table write-up

Smart Pension held a round table discussion on 15 May 2019 to discuss the findings of the Pensions Policy Institute (PPI) research report 'Engagement Pathways in Workplace Pensions: an overview of pension decision-making'. The report is based upon qualitative research and develops a typology of people who have been automatically enrolled into workplace pension schemes in order to understand how they might be better engaged in their pensions.

Mark Dunne, Editor, Portfolio International, chaired the event. He welcomed the attendees and introduced the research.

Darren Philp, Director of Policy and Communications, Smart Pension, set out the context for the research, stating that while automatic enrolment has been a great success, much of this has been built on inertia, and that Defined Contribution (DC) schemes require more individual responsibility and active engagement in financial decision-making. In a quick-changing market, evidence is needed to underpin innovation and this research provides new insight into customer behaviour, enabling providers to develop engagement strategies that will allow DC pensions to compete with other financial products and provide better outcomes for members.

Hayley James, PPI presented the key findings of the research.

- There are a variety of approaches to pension saving and this research has highlighted four approaches to pension decisions, which have been called **threshold adults**, **protectionist savers**, **market investors** and **sceptical speculators**.
- These groups engage with workplace pension saving in very different ways.
- The research demonstrated how people adjust their approach over time, suggesting pathways of engagement in workplace pension saving.
- The different steps on the pathways necessitate different forms of support and intervention in order to encourage greater engagement in pension saving.

Mark Dunne chaired a discussion held under the Chatham House Rule, with Chris Baker (Aquila), Mark Baker (PPI), Chris Curry (PPI), Martin Freeman (Smart Pension), Daniella Jenkins (PhD student), Olivia Kennedy (SSGA), Darren Philp and Ben Stafford (JUST). The panel explored how the research can inform engagement strategies for pension providers, discussing the insights from the research, the challenges posed and the potential solutions available. The discussions do not necessarily reflect the views of the Pensions Policy Institute.

Insights

- There is a general lack of engagement and knowledge across all four types, though the reasons behind this can be very different.
- People can move between the four types.
- People receive their information often through 'trusted' sources, such as family, friends, co-workers, rather than experts – this can lead to confirmation bias and entrenchment.
- Retirement, later life and pensions are abstract notions for most people, with this abstraction giving rise to a false sense of security.
- People tend to understand their pensions in terms of the here and now, with issues of contribution levels and the impact on their current lifestyle rather than future income and adequacy.
- Because of the variations in behaviour, there can be no one size fits all approach to increasing engagement.
- People see pensions differently to other areas of their financial lives. Some do not see the money in their pension pots as 'theirs' and have little sense of agency or ownership.
- People do not understand the implications of DC pension schemes and the types of decisions they will need to make as they approach retirement.
- There was little faith in the State Pension providing an adequate income in retirement.

Challenges

- Education is important if people are to engage with their pensions, but it has to be done at a time when people are ready to receive the messages.
- Information must be made to seem relevant to people's lives as they are, not as they may be in the future.
- How does the industry cross the gap created by people not understanding the need to engage in the first place?
- There are potential further issues with the use of gendered language across the industry, as well as with outreach to other social groups, such as Black, Asian and minority ethnic (BAME) people and people from different social class backgrounds.
- How to reach those people who falsely believe that they have a good understanding of their pensions?
- How to tailor messages for specific groups that are balanced and fair without causing alarm.

Solutions

- There is a need to develop an engagement platform that uses typology to segment customers and understand their likely behaviours and the messages that will have greatest impact.
- Use of existing data can facilitate this, and the current typology used as a base for further segmentation as more data become available.
- Messaging on pensions should be part of a wider conversation about financial matters in general.
- Messages about pensions need to be relevant to the individual, customer-led rather than just customer-focused.
- Messages about pensions should be less technical and should focus more on the positive outcomes for savers.
- Messages about aims and outcomes could be part of a 'rough guide' approach, showing the key characteristics of 'good' pension saving and examining heuristic rules of thumb that savers can follow, and linking these with successful outcomes.
- Understand that not everyone will change or want to be engaged. Key messages should focus on those people most likely to be capable of receiving, understanding and acting upon them at a time when they are most likely to do so.