PENSIONS POLICY INSTITUTE
PPI

PPI Policy Seminar
Consumer engagement: the role of policy through the lifecourse

Wednesday 19th July 2017, 15:30-18:00
ABI, One America Square, 17 Crosswall, London EC3N 2LB

The Pensions Policy Institute (PPI) held a policy seminar on the 19th of July 2017 to launch the third in a series of three reports exploring consumer engagement with pensions and financial products. The main sponsor of this report was the Association of British Insurers (ABI). The research as a whole was being sponsored by the ABI, LV=, Pinsent Masons, State Street Global Advisors (SSGA), The Pensions Advisory Service (TPAS), Institute and Faculty of Actuaries, The Pensions Regulator (TPR), The People's Pension, and the Universities Superannuation Scheme (USS).

This report builds on the first two reports in the series to segment people by life stage, current level of engagement, and other key characteristics. It explores the role that behavioural techniques play alongside other policy levers to help people to achieve better outcomes in retirement.

Around 70 people were present for the launch. Attendees included representatives from the pensions industry, trade bodies, unions and other stakeholders.

Rob Yuille, Assistant Director, Head of Retirement Policy, ABI welcomed attendees.

Carol Young, Head of Pensions, Policy and Products, Royal Bank of Scotland chaired the seminar and made introductions.

Daniela Silcock, Head of Policy Research, Pensions Policy Institute thanked the ABI and the other sponsors for sponsoring the report and then presented a summary of the research findings.

Rob Yuille responded to the research and made the following remarks:
There were many interesting insights and observations related to behavioural issues. This report, as well as subsequent reports, will be very important in terms of improving understanding of dealing with engagement barriers.

There is a consensus that defaults alone may not be enough to encourage people to save more and to make informed decisions. This highlights the importance of engagement. The rules that govern communications that can foster engagement need to be evaluated. Better data and improved information sharing is also needed to understand when best to communicate with people.

There are three key take away messages from the report:

- People engage differently by age and financial capability.
- Engagement is less successful if the timing is not right.
- The importance of teachable moments. Examples include a mid-life MOT and mid-retirement MOT.

This was followed by a panel discussion with:
Darren Philp, Director of Policy and Market Engagement, The People's Pension
Michelle Cracknell, Chief Executive, The Pensions Advisory Service (TPAS)
Laura MacPhee, Pension Strategy and Insight Analyst, Universities Superannuation Scheme
David Reid, Head of Strategy, Policy and Communications, Pension Wise
Daniela Silcock, Head of Policy Research, Pensions Policy Institute
Rob Yuille, Assistant Director, Head of Retirement Policy, Association of British Insurers

The following comments were made during the panel discussion:

Defaults and Compulsion

- Key risk to consumers is disengagement and inertia, especially without the provision of effective default strategies. Default strategies are therefore now more important than ever.
- Effective governance must ensure members are being protected.

Employers

- Employers are a good source of information for consumers and have a key role to play with teachable moments because they have access to employees.

Financial journeys

- It is important to recognise that members are on their own, unique financial journey but are not necessarily aware that their experience differs from others.
- There is a demand amongst consumers for personalised services.

Engagement

- Choice architecture has a key role to play in consumer engagement to harness people's tendency towards procrastination and inertia to increase saving for retirement.
- For engagement to be effective it needs to be applied during teachable moments.
- People need to be able to approach providers and use the knowledge and information that they have garnered.

Guidance

- There has been a modest improvement recently in the take up of Pensionwise and TPAS services.
- There has been an increase in the use of emotionally charged marketing because it is increasingly being seen as effective for visually engaging and emotionally captivating consumers.

The following points were raised during the question and discussion session with the panellists and the audience. They do not necessarily reflect the views of the Pensions Policy Institute:

The role of employers

- Medium sized employers are doing well as they have the capacity to reach their employees.
- Larger employers may struggle with measures such as face to face meetings with new joiners.
- Very large employers as well as those that are remote are more likely to use digital communications e.g. webinars.
- Providers and employers could collate and integrate data and map it to get the bigger picture on levels of financial confidence and how it may vary by sub-group.

Financial MOT

- Mid-life MOTs could be an opportunity for 50/55 year olds to take stock of their financial situations and retirement planning. There is a challenge in making this attractive.
- It may not be necessary to teach consumers to be experts. Instead, the focus can be on translating concepts and developing life skills.
- Mid-retirement MOT should involve planning for care needs. Organisations like Age UK could be well placed to support this.
- There is a need to successfully engage older people to see a future. This means planning for potential health and social care needs.

Advice and Guidance

- The industry could help make guidance more accessible and to be provided in a cost-effective way. This may have implications for channels of communication in terms of moving towards more use of digital communications.
- Technology could help make advice more accessible and available.

Communications, interventions and strategies

- There is a disconnect between feeling in control of ones finances and pension saving. One option is to encourage people to think about savings and pensions together.

- Communications could be aligned with life event and demographic information in order to help people reflect on their financial situations and make decisions at the times when they may need it.
- Jargon/terminology is opaque and inaccessible. E.g. Replacement rates as a term may not be easy to understand.
- There is a need for interventions to take place to create new social norms so that discussing retirement planning and pensions becomes normalised.
- A co-ordinated approach across stakeholders could be effective for fostering consumer engagement and normalising discussions about pensions.