

In the early 2010s, Australia's pensions market faced a challenge familiar to the UK today: Savers struggled to understand the true value of their pension providers. Australia took a pivotal step with the introduction of MySuper, simplifying pensions and prioritising savers, followed in 2017 by the Net Benefit metric – a straightforward measure of investment returns after fees.

As the UK faces reforms – including the development of Value for Money (VFM) metrics and the pensions dashboard – it's worth reflecting on Australia's approach. Net Benefit offers valuable lessons on creating a saver-focused pensions system that encourages competition on performance, not just price.

For a long time, the UK market has emphasised cost. Employers often select providers based on keeping charges as low as possible. While managing costs is important, it shouldn't come at the expense of helping savers grow their money.

The Financial Conduct Authority (FCA)'s proposed VFM framework aims to shift this focus; it's a step in the right direction, but only if it delivers for savers.

Every pension scheme relies on two fundamental levers: The returns it delivers consistently and the charges it applies. Getting these right – ensuring strong returns at fair costs – earns the right to provide everything else, from customer service to apps and digital tools. If a scheme can't deliver on these basics, why should it focus on anything else?

At The People's Pension, we understand the importance of transparency and simplicity. Savers need straightforward comparisons to make informed decisions. That's why we publish our charges, returns, and service levels in one place on our website.

By calculating contributions plus investment returns minus charges, Net

Rethinking value

➤ What UK pensions can learn from Australia's Net Benefit approach



Benefit offers a clear, consumer-friendly measure of performance. Savers can easily compare their options, creating a market that rewards providers who deliver value.

The FCA has proposed VFM metrics covering investment performance, costs, and service quality. While important, the focus has been mainly professional-facing, which risks leaving consumers behind.

The industry is designing systems that help professionals assess value but do little to empower savers. If tools like the pensions dashboard don't include consumer-friendly measures, savers may make decisions based on incomplete or confusing information.

The irony is there is no obligation on any providers to warn people. We know how vulnerable consumers are when consolidating pensions. Many choose the first provider they contact, unaware of the long-term impact of higher charges or weaker performance. Poor transfer decisions can cost individual savers up to 20 per cent of their retirement savings, forcing some to work more years to cover the shortfall¹. A net benefit metric could help by offering a straightforward comparison.

Australia's success teaches three key lessons for the UK. First, simplicity is crucial. The great strength of Net Benefit is it distils complex financial performance into a single, understandable number. In the UK, we often risk overwhelming

savers with too much detail or jargon. A saver-friendly metric could cut through this complexity and help savers make informed decisions.

Another vital lesson is focusing on long-term performance. Pensions are a long-term investment, yet short-term results often distract. Metrics should evaluate performance over a meaningful period, offering savers a fair understanding of what they can expect from their providers and the risks inherent in their fund.

Finally, transparency is critical. Net Benefit provides a clear view of how savers' money is working. Transparency drives accountability and comparability so providers focus on what matters.

For all its merits, Net Benefit may not be perfect. No single metric can capture everything, and we'll need to adapt it to the UK's market dynamics. But a focus on outcomes over costs must be worth exploring.

At their heart, pensions exist to grow savers' money and manage costs efficiently. We've failed our purpose if we can't demonstrate value on these fronts. The Net Benefit approach could offer a powerful starting point.

We're on the side of the saver at The People's Pension. By focusing on simplicity, long-term outcomes, and transparency, we believe the UK pensions industry can create a system that truly delivers for those it serves. Isn't that what pensions are supposed to be about?



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In association with

thepeople'spension

¹ People's Partnership, Transfer Outcomes Index