

A tale of two halves

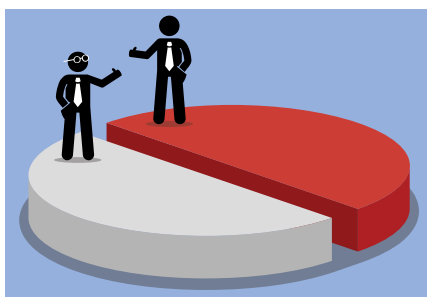
✓ **The Covid-19 impact can be spilt into half in many ways, Nest director of customer engagement, Mark Rowlands, says, for instance in terms of lockdown one and two, and with those members affected by job losses or furlough and those not. Laura Blows finds out the different effects of the pandemic on Nest's savers and how the master trust responded**

“The impact of the pandemic was to a large extent a pandemic of two halves”, Nest director of customer engagement, Mark Rowlands, says, explaining how its research found that around 24-45 per cent of its members moved to working from home during the crisis. “They haven’t really seen any financial distress as a result of the pandemic, as they are still in full employment and probably able to save more money if they wished to.”

However, the majority of Nest’s members were those that have lost their jobs or been furloughed for some or all of this pandemic period. “What we have realised with this cohort is the actual financial impact of a lot of these pensions schemes and individuals have been sheltered by the job retention scheme (JRS) and the extension thereof,” Rowlands adds, with contribution levels staying broadly in line with what Nest was expecting before the pandemic hit.

“We do think the JRS has acted as a buffer, but we do recognise that half our membership has been experiencing financial distress, so it’s the ones that can least afford it are the ones that are hardest hit [*by the pandemic*]. It has had a disproportionate impact on certain groups, such as women and ethnic minority groups, as they tend to be largely represented by those roles that have been most affected by furlough.”

Meanwhile, Nest’s pre-Covid average opt-out rates was around 9.5-10 per cent.



“During the first Covid period, from March to around the end of August, it increased slightly, bobbing around at 11.5-13 per cent. However, since September we have seen it trickle back down to about 10.5 per cent, more in line with the historic average,” Rowlands says.

Nest also monitored the number of members leaving the scheme and the number of new joiners, to give an indication of job turnovers.

“What was quite remarkable in the first period of lockdown was it almost felt like the voluntary turnover of work reduced significantly,” Rowlands says.

“The evidence for that was we were seeing a lot less people leave and a lot less new joiners to Nest. This makes sense as there were very few people voluntarily looking to change jobs during that period as the future was so uncertain.”

From late summer, the normal turnover of leavers and joiners started to occur again, he says.

The start of the pandemic also saw a large dip in member enquiries to Nest.

“Our hypothesis is that people were more worried about other things to focus on than this part of their finances. They

were focused on whether they had a job, whether people they care about are safe, that sort of thing. If they had to make any immediate financial decisions, the pension was quite a long way down the order of priorities,” Rowlands explains, adding that after two months member enquiries returned to normal levels.

Having also kept a close eye of members’ fund switches during this time, no ‘risky’ changes occurred, but just perfectly sensible changes, such as moving into lower-risk investments, undertaken by those members who were already engaged with their investments, Rowlands adds. The number of people over 55 transferring or withdrawing pension money also did not increase.

However, one increase that did occur was the number of communications Nest sent to its members and employers.

“On the member side we have been trying to reassure them that if they can save, it is the right thing to do,” Rowlands says. “We have put up videos about the financial shock, as for some of our savers, discovering that they are invested in stock markets, and that stockmarkets have fallen, may be a source of stress and anxiety. So we are trying to proactively explain in our communications that volatility is normal.”

For employers, the most important thing we were doing was keeping them updated about what they need to do from regulatory perspective, Rowlands says.

Nest spoke to employers early in the pandemic, and their response was clear, for Nest not to “stray off our turf”, Rowlands explains (this was at the time when many companies were sending communications about how they were coping during the pandemic etc).

The employers’ request to Nest, whilst it was specifically in regards to the pandemic, could be a request for pensions communications generally. According to Rowlands, they simply said “tell us what we need to do; be very crisp and clear”.

➤ **Written by Laura Blows**