How mixing ESG with social tech gets pension savers engaged

Emma Douglas explains how gaining a voice on the issues that matter can keep scheme members coming back to their pensions

Last year, we asked 1,000 workplace savers whether they would engage more with their pension if they knew it was invested in environmental initiatives. Sixty-eight per cent agreed.[1]

Large swathes of the pension industry hold up environmental, social and governance (ESG) integration as the 'silver bullet' for engaging members. But people behave differently at their money's 'ballot box' than they do at the polls. Several people in our survey admitted that without further prompting, their new-found engagement with their pension was likely to fade over time.[2]

Knowing that good intentions, driven by ESG concerns, may not lead to concrete action in members' pensions, we teamed up with fin-tech Tumelo. Our aim was to test whether combining ESG with familiar technologies, inspired by social media, can help get scheme members' attention – and keep it.

Keeping your savings in tech

During a 12-week pilot, which began on 2 June 2020, we offered 1,140 people across two schemes access to an online platform via their pension login.

Every time a member logs on to Tumelo's platform, their dashboard shows the funds they are invested in.

It also encourages members to learn about upcoming shareholder votes at annual general meetings (AGMs) for companies their pensions are invested in, and submit vote preferences. After casting their own vote on an issue using a 'like' button, members are 'nudged' by an email or push notification to view the result of that vote at the meeting; see how other scheme members and their provider voted; and read a statement explaining the provider's decision. These action-led functions, borrowed from social media, keep the administrative burden on the user low.

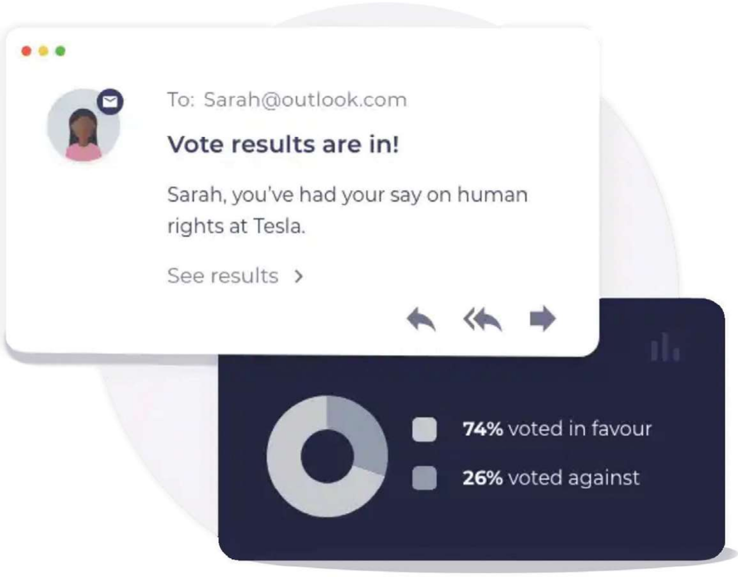
Making savers' voices heard

The platform was widely used; 3,778 votes were cast overall: an average of 3.31 votes per person.[3]

By the time 3,295 votes had been cast, 41 per cent of users had placed at least one vote on the platform.

The platform was particularly effective with groups where engagement has often been lowest: amongst people who are just starting on their pension savings journey and those with smaller pots, in temporary or part-time employment.

Most of our logins came from people in the 25-34 age bracket, which is a breakthrough for bringing early savers into their pension journey. This



may have been down to the ease and user-friendliness of the format. As one member put it: "I really love this idea – it has simplified such a complex and foreign concept into an actionable, all-in-one platform."

Members with smaller pots in more temporary or part-time employment often spent more time looking at the companies they were invested in, perhaps as they were unaware that their pension fund was invested in the first place. One user commented that they had "never had this level of detail before about something (they're) invested in". Whether or not this is true, using the platform was the first time their attention had been captured by pension information.

For members who were already engaged with their pensions to some extent, the information available about voting decisions on the platform made them feel empowered and allowed them to understand the impact their pension was having. In the words of one user, it "doesn't matter how tiny of an investor you are, you can still have your voice heard… (and) pass it on to someone with higher power who is capable of instigating change".

Crucially, this was a concept with staying power. Over the trial period, nearly one-third (31.9 per cent) of users returned to the platform every month. One commented that "that email got me really excited. I logged in straightaway, which isn't something I usually do. I normally leave these sorts of administrative emails in my inbox".

Democratising pensions with ESG

Since 2012, millions of savers – or 'generation auto-enrolment' – have been placed into workplace pensions by their employer, many for the first time.

But meeting savers' expectations of retirement will require stronger engagement, earlier on in the accumulation journey.

We believe that social media-activated tools that address relevant issues can help switch a new generation of members on to pensions.

Technology can be both a 'gateway' for those who are less familiar with their pension savings and an engagement tool for those who are already confident with their money.

In future, we will look to enhance our tech's educational capabilities in an interactive way, as well as think about other ways to broaden members' understanding of and sense of ownership over their money.

Written by LGIM head of DC, Emma Douglas

[1] Source: LGIM. Quantitative research was conducted on 29 October 2019. Full question: 'Most pension schemes invest in financial markets, for example in stocks and bonds. But they can also invest in the real economy, for example in infrastructure like homes and hospitals. Would you be likely to engage more with your pension if you knew your pension money was being invested into regenerating urban areas, affordable housing and clean energy (from renewable, zero-emissions sources)?'

[2] Respondents commented that after checking their account to answer their immediate questions, their pension quickly fell back down their list of priorities.

[3] Source: LGIM and Tumelo data, as at August 2020.