

The increasing fascination with environmental, social and governance (ESG) issues cannot be ignored, with more and more people across the generations realising the relevance that these themes have on their daily lives and will increasingly have in the future. The impact this could also have on the future of pension saving could be instrumental.

Most pension providers today have already resigned themselves to the fact that the promise of a regular income in retirement, or even the tax-free incentives associated with saving into a pension, are not enough to get people interested in their retirement savings pots. And that word ‘interested’ is key in all this, argues AHC, a Gallagher Company’s director of retirement communications, Karen Bolan. “The first challenge when it comes to member engagement is to get people interested. Without interest, we will never achieve engagement.”

Potentially, therefore, by harnessing members’ clear interest in ESG issues, they could be encouraged to engage more.

Bolan continues: “There was a time when the only consideration for where we invested our money was the likely financial return we could achieve. We now live in a world where a new conscience is emerging. Whilst we undoubtedly still want to maximise returns, there is now another objective to consider – doing so in a way that also has a positive impact on society and the environment.”

An increasing focus is the desire to do good for ourselves, our future and our planet, she adds, which will surely push more people towards ESG investment opportunities; and should therefore be considered as a good hook to get people more interested in saving for their future. “People engage with things that they are passionate about and a large number of people are becoming increasingly passionate about climate change and the urgent need to protect our planet for the



The power of ESG

► **Francesca Fabrizi looks at how ESG, if used in the right way, could become a truly powerful tool in the ongoing struggle for better member engagement**

future,” says Bolan.

But while ESG may well have the potential to engage, it is also important to make that engagement count, if the end objective is to encourage members to engage, stay engaged and possibly eventually even take some action (whether that be changing investments or increasing contributions – even if the action is somewhere further down the

line), much more is needed alongside the ESG hook.

PTL managing director, Richard Butcher, comments: “This industry (within which I include the legislators and regulators) is generally terrible when it comes to member engagement. We use too much text, too much jargon and too much paper. We are deadly dull. We need to completely re-imagine how to engage

in a digital age and start thinking like Amazon or a social network.”

It is precisely in this vein that Legal and General Investment Management (LGIM) earlier this year launched a pilot project with investment transparency technology provider, Tumelo, to test whether combining ESG with technologies inspired by social media could help not only get members’ attention but retain it too.

The Tumelo pilot provided members with transparency over their scheme’s portfolio, as well as increased their engagement on the way their money was being managed, through a greater understanding of the decision-making process of companies where they own a stake. So, not only did the link-up mean that members, when logging on, were shown the funds they were invested in, but they were also invited to submit vote preferences in relation to upcoming shareholder votes at AGMs.

Once members had shared their opinions as to how they would vote on key issues, they were able to see how their views compared against many of their peers and their own fund managers, as well as see the outcome of the votes.

The results were telling, with the platform being effective even with groups where traditionally engagement had been lowest (the younger generation); and also appeared to provide members with a sense of empowerment. Most significantly, though, the concept had staying power, with a third of members returning to the platform every month.

LGIM’s head of DC client solutions, Simon Chinnery, comments: “Finally, we’re realising that members are people, they need to be engaged and a way to do it is increasingly through digital. We are also learning that not everybody is the same. Millennials, for example, think differently to baby boomers and have different life experiences.

“Yes, there is some overlap, there are common themes across generations, but

the intergenerational research that we have done in the past shows that there are also strong differences according to age – it was really clear that the baby boomers, for example, were very adamant about pay and treatment of employees in the workplace. So, people want to be talked to in relevant terms.”

Encouragingly, the industry is moving forward with the whole engagement piece, with more innovative and relevant technology being developed by providers in the pensions space; technology that is being harnessed by some of the larger pension schemes that have deeper pockets: “Across the industry, it’s the classic issue”, argues Chinnery, “the larger schemes that have bigger governance budgets or experience are already consulting and engaging with their members and some are doing it very well; but there are quite a few mid-sized schemes, and certainly those at the smaller end, where they really haven’t conducted much at all in the way of engagement with their members.”

But, we are getting better, says Chinnery: “We are learning now, and we are absolutely on the right track. We are listening to other businesses and industries that are able to engage with people. We are listening to very wise heads who really understand how people behave and how they think. We’re finally learning that pensions isn’t this separate black box of gobbledygook; it’s people’s savings we are talking about here and it’s all about what they might want to do with those savings in the long run.”

The work LGIM did with Tumelo, for example, is particularly relevant here, continues Chinnery, because that is all about tech engaging members who possibly were disengaged before.

“Plus, members came back repeatedly – they felt it was relevant to them, they felt that it was engaging, and they found that there was somebody wanting to find out what they thought. In fact, more than 30 per cent of the users returned every month and they used words like ‘empowering’, they felt their voices were

being heard, that they could instigate change. That’s powerful stuff. The tech of course is just the gateway, it’s just a tool. But if it has the impact of broadening members’ awareness of where their money is invested and gives them a sense of ownership, that’s really powerful.”

The importance of understanding members is also reinforced by the fact that regulations are increasingly leaning on trustees to align what they are doing with their members’ views; so, urges Chinnery, “we’re going to have to see a lot more use of digital in order to get not just member engagement but to find out what they’re actually thinking”.

This may well go against the grain of some trustee mindsets, argues Chinnery: “Some trustees still don’t like the idea of asking the members for their views, but the reality is that we’ve got to get a lot better at being able to understand that it’s members’ money and there are ways of getting them involved and engaged.”

“That’s not just by using technology, or just using responsible investment, but it’s got to be a combination of factors – we need the right technology, communicating relevant messages to the right people.”

Bolan agrees that neither ESG alone, or the right tech, are enough to get people engaged, but it goes a step further than that: “Thinking creatively about communication and providing engaging tools that are simple to use and take action are the only ways to overcome the barriers to engagement. A clever piece of tailored communication can really resonate with employees and get them to sit up and listen.

“An engaged member is one who has the right information at the right time, delivered in the right way to enable them to make an informed decision.”

 **Written by Francesca Fabrizi**

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