

# What does an inclusive pension scheme look like?

## ✔ People's Partnership COO, Jo Palmer, discusses how the industry can improve the inclusivity of pension schemes

There's been much talk in the industry around inclusion and diversity and the make-up of the boards and governance committees that look after savers' money – and rightly so. However, inclusion goes further than that as it's also about the actual pension schemes available to savers.

Inclusion is described as, "...the fact or policy of providing equal opportunities and resources for people who might otherwise not get them..."<sup>1</sup>. The thing that resonates with me as relevant to pension schemes is the opportunity to access "...resources for people who might otherwise not get them".

The industry has already taken this on board in the shape of auto-enrolment. This has undoubtedly been a success in bringing more people into the workplace saving world, including those from previously under-served parts of our community – some of whom may be lower-earners and by-passed by the wider financial services market.

The challenge now is for providers to take on the mantle and be inclusive and accessible for all types of savers, for the benefit of all of society. Schemes need to support savers through the accumulation and decumulation phases. And they need to do it without expecting savers to be financial experts. Bombarding them with information and complex options that make it difficult for them to determine the best financial outcome simply isn't the answer.

Take, for example, the learnings from when Sweden rolled out its PPM top-up scheme in 2000. It encouraged savers to choose from a range of 456 funds. 66.8 per cent of savers chose to self-select and the outcomes for this group, on the whole, were materially worse than those who stayed with the default fund.<sup>2</sup>

That's not to say that there is no place for active fund self-selection as having funds that match beliefs and views such as Shariah and Ethical funds is a must. But having hundreds of funds to choose from, or the widest possible range of options can't in itself be an indicator of an inclusive scheme.

We need to focus on walking in our customers' shoes, understand what's important to them and how they want us to help them. According to our *New Choices, Big Decisions – 5 years on* research<sup>3</sup>, we found that many savers are sleepwalking into retirement. The study revealed that people nearing retirement want their provider to supply a safe, guided path into retirement – rather than the complex decisions with which they're now faced with. How do we ensure that savers from all walks of life get the support they need?

I believe support starts with engagement. We must make engagement as easy as possible and do it in a way the saver wants. For some savers, that means having people on the end of the phone. For others, it's a digital online experience they can check on the go, or having

literature available in different languages and formats.

Being an inclusive pension also means having retirement options that are flexible and can adapt to the life events savers find themselves in. Not everyone will want an annuity. Likewise, some may choose to continue working and it's up to us as providers to make those options easy to understand.

Going forward, the industry needs to consider how workplace pensions are included in the wider landscape of retirement planning. The pensions dashboard project is a big step forward, and it's one we're strongly backing, but how do we help savers see the bigger picture? ISAs, equity release, State Pension, savings and inheritance can all impact how and when a member accesses their pension pot.

Professional advice has a role to play, but not everyone will seek it even when it's in their best interests. This is one of the reasons why we're investing in our digital proposition, to help savers make better informed choices in their retirement planning journey.

Throughout our 80-year history, we've developed products that help people and employers; from holiday stamp systems to affordable life insurance. And we now provide one of the largest workplace pensions in the UK, serving over six million members and more than 100,000 employers. And we will continue to do so because we want to help people build financial foundations for life, whoever they are.



✔ Written by People's Partnership chief operating officer, Jo Palmer

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### References for definition and the Sweden case study and New Choices, Big Decisions

<sup>1</sup> Inclusion noun - Definition, pictures, pronunciation and usage notes | Oxford Advanced Learner's Dictionary at OxfordLearnersDictionaries.com

<sup>2</sup> Pensions around the world blog series: Sweden - The People's Pension (thepeoplespension.co.uk)

<sup>3</sup> New Choices, Big Decisions: Pensions Personalities Revisited | People's Partnership (peoplespartnership.co.uk)