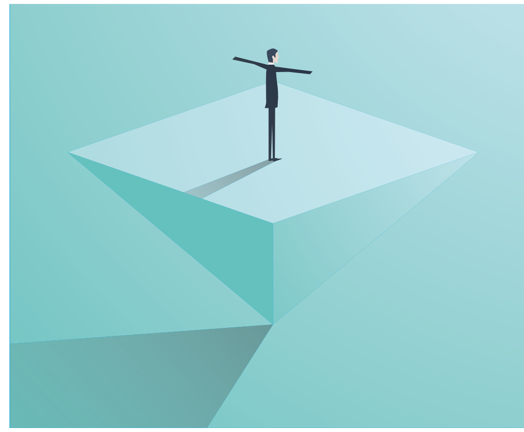
Summary
- Effective engagement is about appropriate messaging and timing.
- Schemes shouldn't shy away from sharing difficult news, but put it in context.
- Think about support for wider financial wellbeing as well as pensions.

Striking the right balance



The industry has been striving for years to engage members with their pensions, but it's important to take the right approach, or risk pushing members away, argues Maggie Williams

Over-engaged members are rarely a problem in the pensions industry. Anecdotal tales of DB members who request a transfer value every month, or DC members who switch funds like they change clothes, are the outliers.

More common are the stories of how rarely members log into websites to check their savings, or do not take up financial guidance when it is on offer.

Just Group's group communications director, Stephen Lowe, says part of the challenge is the diversity of the target audience. "A few will keenly scan every page of a document while others will be too disinterested to even open the envelope. Most of us are somewhere between those two extremes, but how to hit that Goldilocks zone for a wide variety of members is a tough challenge."

Opportunities to communicate and engage with members now extend far beyond traditional paper-based benefits statements. Apps, personalised videos, virtual advice and other technology are widening the ways and means of supporting members. More choice and variety should help schemes connect with their members in ways that suit different preferences and lifestyles. But do those opportunities come with the risk that schemes over-engage with members?

Cushon CEO, Ben Pollard, does not think so. "Engagement levels are generally so low that I don't think having too much engagement is something we need to be concerned about right now. The risk of members not being engaged is far greater."

Pollard's view is backed up by findings elsewhere: Aon's *DC Pensions and Financial Wellbeing survey 2021* found that just 7 per cent of pension savers checked the performance of their investments even during the market volatility of 2020. With take-up of Pension Wise and financial advice so low that the Department for Work and Pensions (DWP) is intervening *[see boxout]*, it's clear that there is room for more effective and impactful engagement.

However, simply increasing the volume of communications is not the answer, cautions Equiniti market engagement director, Des Hogan. "You can have too much engagement if the result is quantity over quality. If we bombard members with engagement for engagement's sake, then we risk turning them off or that they ignore the message in its entirety."

Cardano director of insights, Stefan Lundbergh, agrees that effectiveness should be the key factor when deciding when and how to engage with members. "For every piece of communication, schemes need to ask, 'does this put my members in a better position and help them make better decisions?' If the answer is yes, reach out and engage with them."

However, he adds: "Don't engage if you have nothing to say or if it's based on a misguided ambition to increase the number of clicks on a website. And be aware that if your message is always that people should pay more into their pension, they will switch off. It just becomes a sales pitch."

Bearer of bad news

With a cost-of-living crisis limiting members' ability to pay into their pension, and the war in Ukraine taking a heavy toll on market performance, DC members in particular need help from those managing their schemes. This could be the ideal time to engage with effective, appropriate messages.

"A greater risk than members engaging too much is that they engage through the wrong nudge without adequate information," says Pollard. "Situations like *[the war in Ukraine]* risk members panicking and making the wrong investment decisions. It's then a panic nudge."

Pollard recommends "pre-emptive communications" that explain the long-term nature of investments, at the point that members can actually change their investments. "Then, at least they really consider the situation before taking any action."

Helping members to understand the context in which they are making choices is also important, says Lowe. He says members currently in the accumulation phase "may need understanding of how to balance their own investment hopes and fears to manage volatile markets. Where there is a danger that members may make bad choices – panicking and switching to cash if markets slump, for example – the context needs to demonstrate why it may not be the best choice."

Engagement by default?

Schemes mostly decide when and how to engage with their members. The Pensions Regulator, Department for Work and Pensions, and other industry bodies are working on initiatives that could help streamline engagement and make it more consistent. Could we see 'engagement by default' in the future?

Simpler annual statements – from October 2022, DC auto-enrolment schemes must create annual statements that are no more than two sides of A4. There is statutory guidance to help scheme trustees design the new-style statements and decide what information they should contain.

Will it help? The biggest engagement challenge is encouraging members to open a statement and read it. But presenting information in a more accessible and meaningful way will help members to better understand their savings and how that equates to saving effectively for retirement.

Pensions dashboards – over the next two years, most DB and DC schemes will meet staging deadlines for providing data to the pensions dashboards. The DWP hasn't decided when the first dashboards will be available to members, but it could be late 2023.

Will it help? While dashboards are unlikely to provide everything that everyone needs from the start, the principle of the initiative, which is to help members keep track of their pensions and understand the total value of their retirement savings, should help everyone engage with their retirement savings.

Stronger nudges at retirement – just 14 per cent of DC savers accessing their pot for the first time use Pension Wise for guidance. This is part of a wider concern that members are making major retirement decisions without any guidance or advice. From 1 June, trustees must offer to make an appointment with Pension Wise for members about to access their pot and keep closer track of whether members seek help.

Will it help? With DC pots becoming a more significant proportion of individuals' retirement savings, encouraging members to engage as they approach retirement is crucial. It will definitely help – but won't replace the need for other engagement throughout members' saving journeys.

Statement season – in 2021, Pensions Minister Guy Opperman MP suggested that statements for all auto-enrolment pensions should be sent out at the same time, to help members get a clearer view of their pension savings at once.

Will it help? Both the pensions industry and government are divided on the effectiveness of introducing a statement season. At the beginning of the year, the Work and Pensions Committee voiced doubts about the value to members of a statement season, and the industry has concerns over fraud, administration load and effectiveness of issuing all statements at once.

Honesty is the best policy

Lundbergh says that schemes should not shy away from being honest about difficult circumstances. "In periods of crisis people might be really worried. It's in members' interest to understand what's happening and good to communicate that. Most people know that bad things will happen, and if you don't treat them like adults and give then information, they are stumbling in the dark."

However, Hogan warns that schemes may need to tread carefully in the current cost-of-living crisis. He advises reassuring members that the scheme is well-run and their money is well looked after, as well as reminding members of the merits of pension saving. "We should try to be aware of the issues that our members may be experiencing. Encouraging higher contributions right now could be perceived as tone deaf."

Pollard agrees: "We shouldn't discourage engagement, but increasing understanding and making sure that any messaging is sympathetic to the financial pressures that people face is important. We can't take the approach of scaring people about not paying enough into their pension when they're struggling to pay their bills today."

He suggests that putting pensions in the wider context of financial wellbeing will help with engagement in the long term. "We should provide wider financial education that helps people manage their budgets and shows them ways that can save them money on everyday expenses, all of which helps reduce the need for people to think about cutting their pension contributions."

"In every case, engagement should be personalised, targeted, short and easy to understand," concludes Hogan. Those factors, together with relevance, sensitivity and openness should ensure that schemes get the engagement balance right.

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