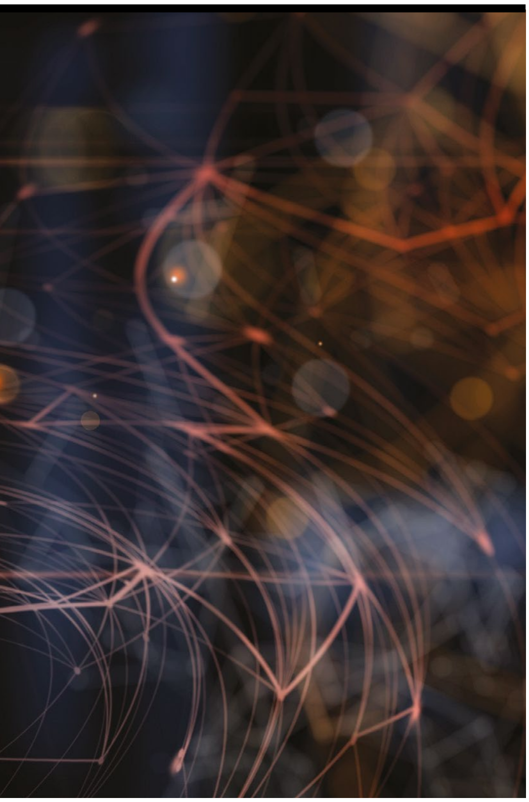
Pushing the right buttons

In an ever-more digital and mobile-enabled world, it makes sense for pension providers, schemes and sponsoring employers to use these technologies to improve saver/member engagement. But are the investments being made in these technologies achieving the desired results and ensuring more people have better retirement incomes? David Adams investigates

Summary

- The need to improve engagement with pensions is ever-more important in a DC-dominated pensions landscape and growing numbers of providers and schemes are starting to put more resources into digital technologies to improve engagement.
- Where they are in use, these tools do seem to be improving engagement, as well as improving accuracy and offering opportunities for more flexibility and personalisation.
- The pandemic has helped to boost familiarity with these technologies and expectations of the services they can provide, across all age groups.
- Further innovations from fintech should help to stimulate further development and investment in these tools during the next few years, even among slower moving players.

Every year, too many people reach retirement age either without having put enough into their pensions to enjoy a comfortable retirement, or without having considered what to do with the assets they have accumulated. One key reason for both these issues is a failure by employers, pension schemes or pension providers to engage with members/savers adequately during the accumulation phase. In a pensions landscape set to be



dominated by DC pensions, the need to improve engagement becomes more urgent every day.

The situation has improved in recent years, as more schemes and providers have invested in technologies to improve engagement, by making dealing with your pension more like banking online, or even more like interacting with online retailers or entertainment services, which have increased consumers' expectations for the speed and effectiveness of online interactions.

While digital technologies and services come with a price tag, they also offer cost savings and greater accuracy, flexibility and personalisation than paper-based processes. They offer greater accessibility for people with disabilities; and an ability to gather data about the effectiveness of interactions with members/savers.

Examples include Aviva's MyAviva portal, used by its insurance customers and shareholders as well as pension savers; and MyWorkplace, used by corporates to serve pension scheme members. Both can be accessed via websites or apps, using fingerprint or facial recognition biometrics to verify identity; and supported by a helpdesk, live chat and WhatsApp style messaging.

Aviva head of proposition workplace savings and retirement, Suzanne Rose, says apps are the dominant access method for both platforms, with use of the full screen web-based interface often reserved for more complex interactions, such as income comparisons between annuities and drawdown products.

In January 2022 Aviva also launched a feature called Pension Snapshot, which works like an annual summary you might get with a fitness app, or a Spotify Wrap, analysing a year's worth of data to tell individual savers where their saving and investment activity has taken them on their journey towards retirement.

MyAviva and MyWorkplace now have about 2.2 million users between them – a figure that has increased by almost 20 per cent since the start of 2021. Aviva categorises 20 per cent of users as 'heavily engaged' – those who log in at least six times per year. A further 40 per cent are 'engaged', logging in between one and five times per year. "That's a lot of engagement for something like a pension that is generally quite static," Rose argues. "And the number of disengaged users is shrinking all the time."

She says the one question that pension trustees, employers and advisers all want to know is whether having access to these tools changes member behaviour – and the answer, she claims, is an unequivocal yes: "People are engaged and coming back."

Simpler, easier, faster

Elsewhere, Concert, a Buck company and a communications and engagement specialist, provides pensions and employee communications services to more than three million employees of its clients, which tend to be bigger organisations with large pension schemes, such as the Royal Bank of Scotland's Group Pension Fund.

Concert's approach is based on the idea that it is competing with every other digital interaction users may have, so has to cut through using methods that are genuinely "entertaining and engaging". Its head of digital, Dylan Hughes, dismisses the assumption that older people don't like using digital technologies to engage with pensions. Besides the fact that many people aged 60 or above have used computers for more than 30 years and mobile phones for at least 20, many others have become more digitally active and literate during the pandemic. "There is more take-up of these services among younger people, but the disparity's not huge and shrinking all the time," he says.

Concert has also worked with the BT Pension Scheme, which built a new online portal for its members after bringing administration of the scheme back in-house. BT Pension Scheme Management (BTPSM) chief administration officer, Simon Langworthy, says its strategy was informed by in-depth research with its users. "What it boiled down to is that members want 'Simpler, Easier, Faster'," he says. "The average age of our members is 68 so it's busted any myth that it's only younger members wanting digital services. It's been a 50/50 split between deferred and pensioners signing up. Take-up has been astonishing: we've had nearly 100,000 members register and 455,000 portal log-ins."

An online pension calculator allows members to model different options, altering retirement dates and tax-free lump sum amounts to see what impact this would have on their retirement income. They can also access fund valuations, switch between funds online and track investment performance. Pensioners can use the solution to access P60s and monthly pay information. The portal uses the scheme's administration database, so members' changes can be made in real time. "Over 40,000 individual data amends have been made by members online," says Langworthy. "Our data is now practically self-cleaning."

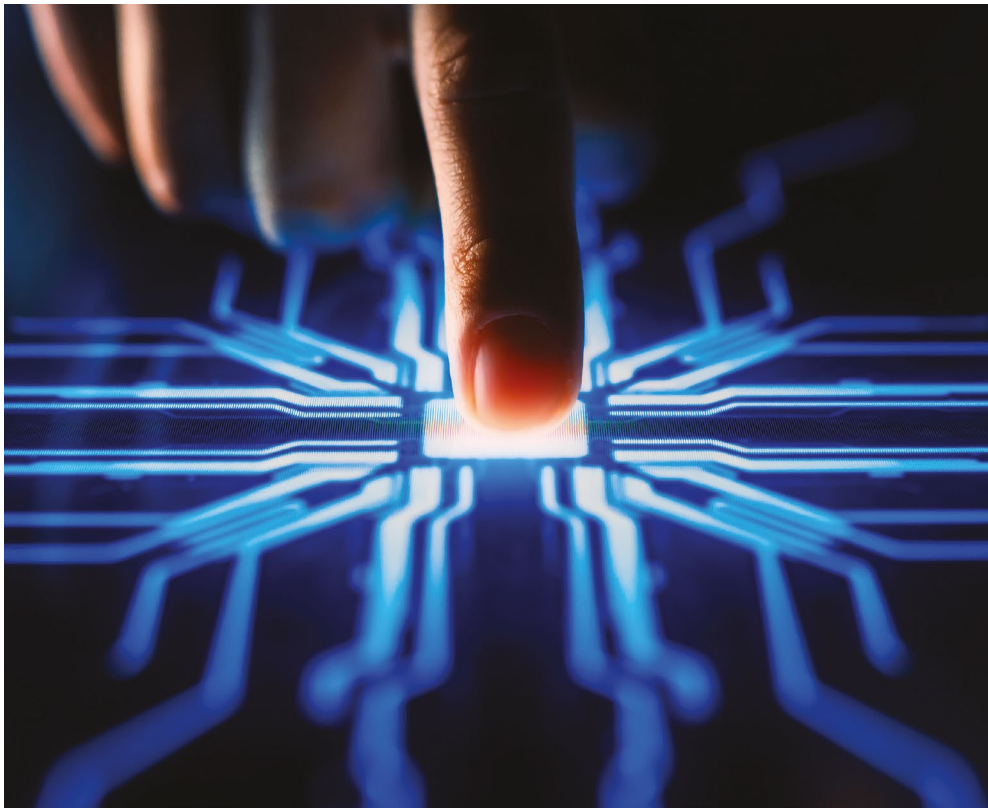
Engagement can also be boosted by encouraging members or savers to engage in relation to specific issues of importance or interest, such as those grouped under environmental, social and governance (ESG).

Another service provider, Tumelo, provides technology that shows individual scheme members in which companies their money is invested. "It starts to help people connect their pension to the real world," says Tumelo CEO, Georgia Stewart. "We're asking people for their opinions about companies that they are invested in. That's a good first step for a user who's not very engaged."

Earlier this year, LGIM co-head of DC, Rita Butler-Jones, told *Pensions Age* that Tumelo's technology had enabled "a breakthrough for bringing early savers into their pension journey". Stewart says Tumelo also appeals to employers who want to help employees gain a better understanding of, and control over, their overall financial position.

Another technology-led market entrant is Penfold, which provides a direct-to-consumer SIPP and a workplace SIPP for corporates. Co-founder, Pete Hykin, emphasises the importance of supporting user-friendly systems with the capability to gather and manage large volumes of data.

"The reason some of the industry is bad at doing front-end stuff is because they've been so bogged down by painful back end processes," he says. "You can't provide a 24/7 balance for someone if you don't have the systems behind the scenes to do that."



Changing engagement

While statistics shared by providers or schemes to show increased engagement look good, they are also unique to each scheme's own circumstances. But their success is certainly providing a strong proof of concept. Hykin says plenty of people in the pensions industry are keen to use digital to improve engagement processes, but that some incumbent pension providers have been slow to act.

"Innovation has been pretty slow in the pensions industry when you compare it to other areas of fintech," he notes. "But now you are seeing more challengers like us and the incumbents are starting to take a little bit more notice. That's going to drive progress."

Langworthy points out that end-user expectations have changed in a more mobile-centric world. "The pandemic, and two years of lockdown, have accelerated digital adoption among all segments of the population," he says. "The public now expect an easy online consumer journey. The pensions industry is getting better at using and measuring the benefits of this, but there's a long way to go."

Stewart is optimistic. "The people we're dealing with clearly care about this and it's high on their agenda," she says. "We've started doing our first proper embedded integrations with pension providers. That will open up an opportunity to build a connected platform that allows someone to access their pension and connect it to other parts of their personal finances. That's going to change the way people engage with pensions."

Rose makes one more important point to justify her own optimism. "This is improving the way that people feel about their pensions," she says.

"The fact we are finding ways of encouraging people to engage with their retirement savings is a really great start on a long journey, as an industry."

If she is right about that, this is good news for everyone.

Written by David Adams