The virtuous circle: value for all from pensions technology

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Introduction

Pensions technology has the potential to change the way we work, how we make choices, and how we achieve our long-term objectives – whether as pension scheme members, trustees, sponsors, advisers or even regulators and policymakers. Just as technology is transforming other industries, pensions technology can turn pensions on its head, with better decision making, closer collaboration and common platforms, advanced analytics, and smarter use of resources for all parties in the pensions landscape.

Today, however, while some employers have begun to exploit the potential of this technology, many others have yet to be convinced. Our research, based on separate surveys of employers and employees, charts a very mixed picture. Some employers are convinced there is a broad range of gains to be realised, but others have not made that leap; some employers think they are already providing excellent technology-enabled support to their workforces, but employees are often less convinced; equally, employees say they desperately need more help with effective pension planning, and see technology as providing attractive options.

These gaps must now be closed. Employer awareness and understanding of a broad range of tools must be higher.

More employers must exploit these tools to deliver the personalised and tailored communication and support for which employees are looking. Employers must also work to understand the different requirements of each generation of their workforce.

Nor is pensions technology only relevant in the context of engagement. For trustees, the promise of new technologies is reduced cost, improved governance and security, and an enhanced member experience. For scheme sponsors, pensions technology offers accurate information in real time that will empower strategic decision-making and more effective de-risking.

Amid the disruption, there will be challenges and opportunities. Employers and trustees will need to learn to work more closely with pension scheme members. All parties will need to confront the huge threats posed by cyber attackers and develop new standards of data security. Engaged employees will need further education and support as they take control of their retirement planning.

Still, while pensions technology will develop in unpredictable new ways, the genie is out of the bottle. Now is the moment to harness it for the wider societal good.

Pensions technology tools in detail

Current level of employer awareness by type of tool*

45%
Tools to encourage saving and improve understanding of pensions

30%
Pensions analytics platforms for business to help make decisions on funding and investment

18%
Member outcome analysis platforms

34%
'At retirement' tools designed to aid individuals in drawing their pension or choosing form of payments

61%
Tools for individuals to view information or make changes to savings or personal details

18%
Covenant monitoring tools designed to track employer performance and highlight concerns

21%
Automated member communications platforms

28%
Investment advice and/or monitoring platforms

22%
Financial planning tools

41%
Contribution collection and/or payment systems

34%
Pensions administration platforms and biometrics

*Percentage of employers surveyed who say they are aware of each tool in their professional capacity

About this research

This report is based on two separate surveys. Our first survey, conducted in August 2017, took the views of 88 senior leaders at cross-industry organisations with occupational pension schemes of varying sizes, including CFOs, HR directors, pension managers and trustees. The second survey, carried out online in November 2017, was completed by 2,021 employees around the UK.

Key findings

This research identifies a clear shortfall between what employees want from their employers in terms of pension scheme communication, engagement and support, and what they're actually getting.
While increasing numbers of employers are aware of how technology solutions could enable them to offer more tailored support to their workforces, with different generations of employee now looking to receive that support in different ways, many have yet to implement these solutions. The result is that employees are struggling to find the help they need – and concerned about their inability to plan effectively for the future.

Moreover, this gap is particularly marked amongst younger generations of workers, who have become used to a more digital approach to engaging with their finances. These younger generations are significantly more likely to be demanding new digital solutions for engaging with their pensions, yet this demand is not being catered for. Few employers offer much online functionality on pensions; nor have employers typically thought about tailoring and personalising the support they provide to staff by generation.

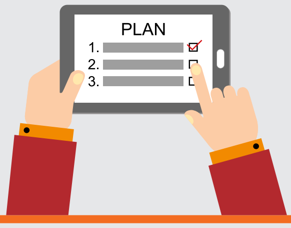
The result is that employees throughout the workforce now want their employees to make better use of technology, with younger generations especially keen for greater digital engagement. Those employers which do not meet this demand risk losing out on the value that pension scheme provision generates as part of the overall remuneration package, particularly for younger workers. They may even alienate employees.

For their part, employees remain deeply concerned about how to plan effectively for retirement and desperately want more help. Younger workers are particularly under-engaged with pension planning. Pensions technology solutions represent an important part of the solution.

Our key findings include:

Pensions technology can be a key enabler of communication.

The biggest short-term benefit from investment in tools could be to substantially improve member communication, where many members currently receive ad-hoc levels of contact. 82% of employers see this area as a key area for investment; 43% of employees state that they're not even sure they receive an annual update from their scheme.



Pensions technology can promote better planning.

Employees lack confidence in their pension planning, but with only 34% prepared to pay a financial adviser for support, employers must step into the breach. However, only 39% of employers are aware of tools such as member outcome analysis that could help their employees plan more effectively for retirement.

Pensions technology can drive engagement.

While 68% of employers claim to be taking steps to encourage earlier member engagement with their pensions, many are not providing basic technology to facilitate this – 30% do not provide online access, for example. More than a third of employees have never looked at their pension online.

New entrants to the workforce will drive demand for pensions technology.

Workers from younger generations are already more likely to view their pension savings online and now want much more sophisticated tools to manage their pensions; 62% would welcome new portals offering a single view of their wealth management, with pension savings linked to other elements of their personal finances.

The generational divide is stark.

Younger generations are not engaged with pension planning and worry about how to become more engaged. Pensions technology provides the solution – 48% of Millennials would use an automated pensions advice app, rising to 60% of Generation Z workers; 53% of Millennials would use an online pensions portal linked to their bank account, rising to 62% of Generation Z workers. These figures are several times higher than for older generations including traditionalists and Baby Boomers.

The pensions technology value case is becoming broader.

While many tools will be member-facing, technology can also drive value for scheme sponsors and trustees, offering benefits such as greater cost-efficiency, access to de-risking analysis, enhanced cyber security and improved standards of governance.

Employers and trustees now plan significant pensions technology investment.

Significant numbers of pension schemes will invest in new pensions technology over the next three years: for example, 61% expect to invest in tools that give members greater online access to their pensions.

Part 1: Securing value for pension scheme members

Pensions technology offers new opportunities for schemes to provide much greater support for their membership – to improve communication, build engagement and help members plan for their retirement more effectively. Exploiting these opportunities will improve outcomes for members and enhance their perceptions of the sponsoring employer.

Moreover, generational change means savers will increasingly expect to be offered this functionality, with younger workers in particular now engaging with financial services providers and other organisations across a multiplicity of channels (see page 14 for a breakdown of data on generational attitudes). Right now, however, many employers are not offering what their employees say they need.

i. Communication

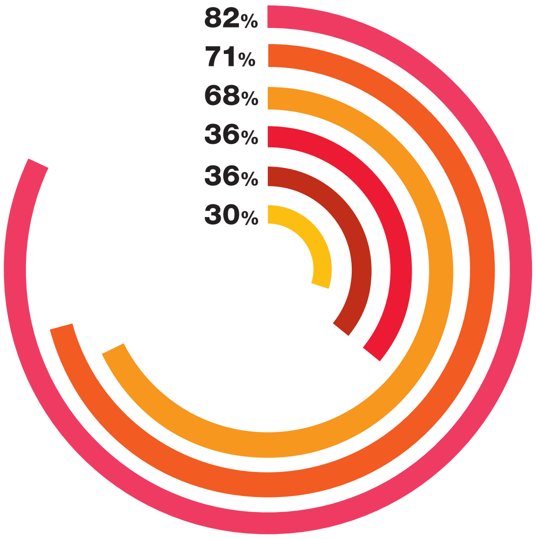
Employers recognise technology has the potential to play a major role in improving communication with scheme members, but they are currently reliant on more traditional methods, tending to keep in touch with the membership through channels such as the post – and often irregularly.

Even relatively simple innovation can deliver substantial gains. Currently, only just over a third of employers are using email to communicate with their members, with more than three-quarters relying on mail-outs. Less than half are even aware of technologies such as automated member communication platforms, which could substantially improve the effectiveness and efficiency of their communication programmes; just one in five employers are already utilising such technologies.

The reliance on traditional communication channels is leading to sporadic levels of contact between employers and pension schemes. More than two-thirds provide information to their members only once a year. This is unlikely to be sufficient to support more engaged pension planning and decision making. Employees are likely to become increasingly dissatisfied with the performance of their employers in communicating effectively, eroding trust and pension scheme value.

Work to be done on member communication

Too few employers are exploiting technology, despite their understanding that it holds the key to improving communications.



82%

of respondents recognise improving member communications as one of the main benefits of pensions technology

71%

of respondents see the ability to present all common information on a single platform as a potential benefit

68%

of employers provided information to their employees only on a yearly basis

Only 36%

of employers are aware of automated member communication

Only 36%

of employers send notifications via email

Only 30%

of employers send notifications through an online platform

Many employees already claim they aren't receiving the pensions communications they need to facilitate effective planning. In many cases, they're not even sure they're receiving basic information that employers have a duty to provide, whether directly or through a scheme administrator or insurer.

Currently, by far the most common way for employees to receive information about their pensions is by post, with two-thirds (68%) reporting that this is the communication channel favoured by their scheme. And while electronic communication is ubiquitous in many other consumer-facing contexts, fewer than a third (31%) of employees currently receive email updates about their pensions.

Many employees feel woefully under-informed about their workplace pension scheme. More than a third (43%) don't believe they are getting even an annual update in the post from their scheme. This suggests scheme communications are going astray – and that employers are struggling to ensure such contact reaches its intended target.

Embracing alternative forms of communication should now be a priority for employers if they are to provide better and more regular information to members. Two-thirds of employees surveyed had never received an email from their employer about their pension; four-fifths said they had never received a phone call. With many members missing out on even the most basic communication, new technologies provide simple ways to close the gap.

ii. Engagement

While significant numbers of employers recognise the imperative for earlier engagement to ensure members make effective long-term financial planning decisions, the majority are only just beginning to employ technologies to take steps to encourage this. Improving communication is part of the challenge, but greater engagement will require two-way interactions in which employees are able to exert more control and play a more active role in their pension planning.

Employers are becoming more aware of what is possible – for example, nine in ten employers recognise online tools are available to give members access to information about their employers.

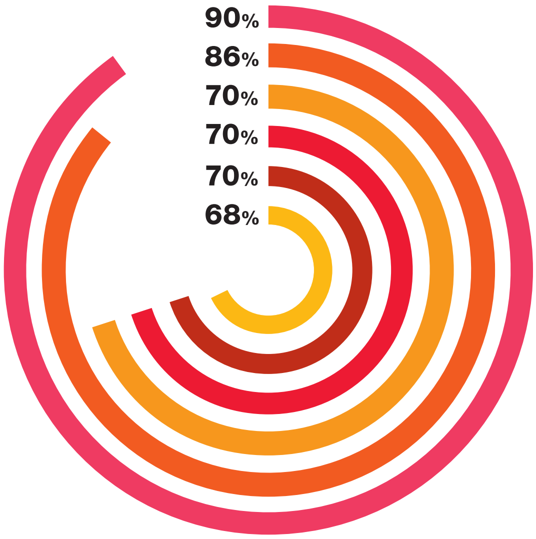
There are other signs of encouragement too. Seven in ten employers now offer pension scheme members access to an online platform that enables them to manage their funds, though a significant minority isn't sure what's available – 30% said they didn't know whether members had been offered such services.

However, many employers are only scratching the surface, often failing to engage with members on what they actually prefer. Fewer than a third give employees any choice about how they receive pensions information, while only 7% offer the option of personalised communications. This generalised approach to communicating with members is not likely to boost engagement.

Nor are employers exploiting technologies that facilitate communication strategies designed with the different generational needs of members. While, members in, say, their fifties, are likely to need different types of information – and more detail – about their pensions than those in their twenties, nine in ten employers communicate on a one-size-fits-all basis.

Encouraging engagement

If employers are to achieve their objective of engaging earlier with pension scheme members, new technology tools can help:



90%

do not tailor or personalise their information according to an employee's generation

86%

are aware of tools for individuals to view information/ make changes to personal details

70%

say their employees are able to access their pension funds online

70%

provide members with a pension platform to manage their own funds

70%

do not provide employees with a choice on how they would like to receive information about their pensions savings

68%

of employers are taking steps to encourage earlier engagement in pensions

The relative lack of pensions technology solutions provided by employers is reflected in the views of their scheme members. Many complain about the lack of online functionality on offer from their schemes, or believe the digital services they have access to are too basic. These views underline the need for employers to embrace tools to boost engagement levels – there will be clear benefits from meeting this demand.

Right now, more than a third of employees (39%) say they do not currently have access to any sort of technology platform that provides access to information about their workplace pension or enables them to manage their savings. Amongst those whose employers do offer such facilities, the platform is often primitive:

15%

of employees say that while they do have access to a website or online pension portal, it is very basic and features no personalisation; it may enable members to check basic information but offers no way to determine whether their contributions are adequate for their personal circumstances.

15%

of employees describe their website or online portal as fairly basic with very little personalisation; it may provide a facility to change pension contributions or switch investment funds.

15%

of employees say their website is advanced and offers a good degree of personalisation; it may offer clear guidance based on their individual circumstances about their potential standard of living in retirement.

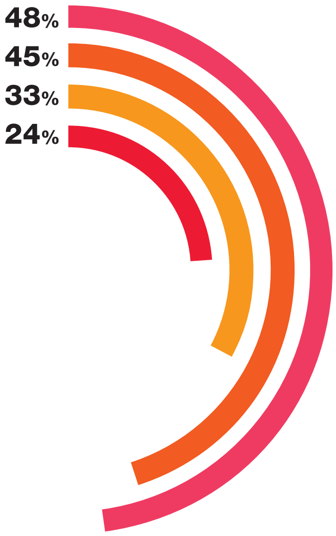
These figures are disappointing given the opportunity to encourage much greater engagement with pension planning that technology offers – just as it is boosting engagement in other areas of financial services. Currently, 38% of employees say they have never viewed their pension online and even amongst those that have, a fifth do so only once a year; just 19% of employees check their pension online at least once a month, compared with 88% who say they check into their online banking service at least this regularly.

Clearly, pension planning is a long-term pursuit; it may be less appropriate to log in to an online account very regularly. However, new technologies offer a clear opportunity to engage with audiences known to need more support. For example, women are currently less likely to say they have viewed their pension online than men – yet women are more likely to be under-pensioned; similarly, more than a third of older employees – those closer to retirement – have never looked at their pension online.

Moreover, as new generations move into the workforce, employers will come under pressure to improve engagement opportunities. Generation Z employees in this survey – the youngest respondents – are significantly more likely to check their pensions online very regularly than any other group, despite being furthest from retirement.

Helping pension savers plan with confidence

Savers are often nervous about pension planning and unsure of the best way forward. They need more help.



Only 48%

feel in control of their pension, while 40% say they are not in control

45%

of older workers believe they are paying enough into pension to provide for their future; only 3% of Generation Z say the same.

33%

do not think they have saved enough; 31% would start saving or save more into their pension if they could afford

24%

of workers say ‘concern’ is the word that best describes how they feel when they hear the word pension

iii. Planning

Employers are beginning to think more carefully about how they can exploit new technologies to help savers achieve better outcomes through long term financial planning. For example, almost three-quarters (73%) say they are aware of educational tools that are designed to encourage saving and improve members' understanding of retirement planning.

However, there is room to do much more. For example, member outcome analysis tools give employees a means to understand how different levels of pension contribution today might impact their retirement income – and what sort of income they should be aiming for. Currently, only 39% of employers are aware of such tools.

It is very clear that employees need more help to plan their retirement effectively – and that they want support as they make key decisions about pension planning. The respondents to this survey are likely to describe themselves as concerned (24%) or cautious (13%) when they think about their pension planning, while fewer than half feel in control; a third do not believe they are saving enough.

Pensions technology provides a means to deliver this support, particularly since employees from generations most likely to embrace innovation are especially likely to be worried about their pension. For example, just 3% of Generation Z employees currently believe they are paying enough into their pension scheme.

Helping savers achieve a better understanding of their pensions will be the first step in supporting better long-term planning. A quarter of employers (26%) say that feeling more confident about how pensions work would encourage them to save more. Our survey also suggests that the younger the employee, the less likely they are to feel confident in understanding their pension provision – and the less engaged they are. Building understanding could therefore boost engagement.

In practice, such support may come from a variety of different sources, both traditional and more innovative. Almost two-thirds of employees (60%) say that they have already had or would consider a free assessment from a financial adviser. But this figure falls to 34% for paid-for financial advice, emphasizing the need to find other means to provide guidance.

Automated advice and guidance services are seen by some pension specialists as offering huge potential for supporting savers in the future. Currently, only 4% of employees have used such a service; amongst those that haven't, 35% said they would consider doing so. This figure is likely to rise in the future, since younger employees are much more open to the idea of consulting automated advisers than their older counterparts.

Similarly, younger workers in particular are looking forward to online services that provide a more holistic view of their finances – portals with links to their bank accounts, for example, that enable pension reviews in the context of other types of savings. Almost two-thirds (62%) of Generation Z workers would welcome such services.

For now, however, many employers are not offering much help online: 39% of employees say their employer does not provide any sort of technology platform that provides educational or planning support for retirement saving.

Pensions through the generations

Our employee research reveals stark differences between the different generations now in the workforce. Each generation has different levels of pension provision today, different perceptions about what pension planning means to them and how they will proceed in the future, and different requirements about how they will engage with employers and other pension providers. Employers, meanwhile, have their own views about the generations.

Pension provision through the generations

Number with	Person pension	Company pension
Traditionalists	38%	49%
Baby Boomers	30%	64%
Generation X	28%	71%
Xennials	26%	72%
Generation Y/Millennials	20%	72%
Generation Z	42%	67%

The advent of auto-enrolment has boosted occupational pension scheme membership in recent years. Almost three quarters (72%) of workers in the UK save money into some type of pension.

How employees feel about their pension planning
How do you feel when you hear the word pension?*

	Concern	Cautious	Relaxed	Dread	Reassured	Bored
Traditionalists	11%	11%	22%	0%	19%	4%
Baby Boomers	22%	15%	13%	10%	8%	6%
Generation X	28%	13%	7%	11%	6%	10%
Xennials	28%	10%	11%	8%	8%	9%
Generation Y/Millennials	28%	12%	9%	10%	4%	10%
Generation Z	18%	17%	16%	7%	10%	7%

*Leading answers only

Younger workers are more likely to feel concerned and cautious about their pension planning. The need more help and support, provided in the format with which they feel comfortable.

Where employees will seek advice?
Which of the following would you consider using pensions advice?

	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6
Traditionalists	53%	35%	19%	7%	27%	14%
Baby Boomers	55%	30%	30%	11%	38%	21%
Generation X	58%	27%	37%	19%	50%	29%
Xennials	62%	36%	42%	25%	53%	36%
Generation Y/Millennials	64%	36%	48%	26%	53%	36%
Generation Z	72%	45%	60%	46%	62%	50%

Option 1: Free financial adviser assessment; Option 2: Paid-for financial adviser assessment; Option 3: Free automated advice app; Option 4: Paid-for automated advice app; Option 5: Free online portal linked to your bank account; Option 6: Paid-for online portal linked to your bank account.

Younger workers are significantly more likely to accept online and digital support when it comes to pensions advice, but similarly unlikely to pay for this kind of support to their older peers. Employers need to embrace new technologies to meet the need of their younger workers, many of whom will not access this support from third-party providers.

Online engagement
How often do you look at the following accounts online?

	Daily	Weekly	Monthly	Quarterly	Bi-annually	Annually	Never
1. Your pension							
Traditionalists	1%	2%	17%	18%	10%	16%	36%
Baby Boomers	1%	1%	8%	9%	12%	25%	44%
Generation X	2%	3%	8%	12%	11%	27%	38%
Xennials	2%	6%	13%	10%	9%	20%	39%
Generation Y/Millennials	3%	9%	13%	10%	9%	16%	40%
Generation Z	10%	15%	28%	11%	9%	8%	20%
2. Your bank account							
Traditionalists	23%	43%	18%	1%	0%	1%	13%
Baby Boomers	26%	44%	14%	1%	1%	1%	13%
Generation X	26%	46%	17%	2%	1%	1%	7%
Xennials	39%	43%	17%	4%	1%	1%	5%
Generation Y/Millennials	30%	44%	13%	5%	2%	1%	5%
Generation Z	33%	45%	11%	4%	1%	1%	5%

Younger employees are more likely to use the internet to view their financial accounts – both more obvious accounts such as banking and longer-term services such as pensions. A quarter of Generation Z respondents claim to look at their pension accounts weekly or more often. Amongst older generations more than a third never do look at their pension online. Offering options to engage both audiences on an ongoing basis will be important for employers, but they must do more to cater for the digital demands of generations that will soon dominate the workforce.

Control
How much control do you feel you have over your pension currently?

	In control	Not in control
Traditionalists	72%	22%
Baby Boomers	50%	40%
Generation X	40%	46%
Xennials	38%	51%
Generation Y/Millennials	37%	50%
Generation Z	63%	24%

Significant numbers of employees of all ages do not feel in control of their pension planning. However, younger generations are particularly likely to not feel in control, underlining the need for employees to engage more personally and directly with an audience that currently reports itself underserved.

Employers' view of generational engagement
On a scale of 1-5 (where 1 is least engaged, 5 most engaged) how engaged with their pension are the following generations?

	1	2	3	4	5
Traditionalists	7.5%	6.3%	12.5%	30.0%	43.8%
Baby Boomers	2.4%	4.7%	16.5%	43.5%	32.9%
Generation X	2.4%	17.6%	43.5%	30.6%	5.9%
Generation Y/Millennials	20.0%	44.7%	29.4%	3.5%	2.4%
Generation Z	54.3%	22.2%	17.3%	4.9%	1.2%

Employers see older employees as significantly more engaged than their younger counterparts. In part, that may reflect stage of life – the fact older generations are closer to retirement and therefore more focused on pension benefits. But it may also reflect employers' failure to personalise their communications – to find a means through which to engage more effectively with younger generations.
Pensions technology may provide a solution here.

Definitions
Traditionalists: born before 1947
Baby Boomers: born between 1947 and 1965
Generation X: born between 1966 and 1980
Xennials: born between 1977 and 1983
Generation Y/Millennials: born between 1981 and 1994
Generation Z: born after 1994

Part 2: Securing value for pension scheme sponsors and trustees

Employers plan investment in pensions technology to secure a range of benefits

Pension providers are interested in the application of pensions technology to secure a broad range of benefits, including non-member facing gains:

29%
plan to invest in consumer tech for employees within the next year; this rises to 46% over three years

43%
plan to invest within the next year in tools to help members view information and/or make changes to savings or personal details; 61% are planning such investments within the next three years

53%
plan to invest in automated member communications solutions in the next 3 years

56%
A third of employers plan to invest in educational tools designed to encourage savings within the next year; this rises to 56% over three years

While pensions technology has enormous potential to drive better outcomes for pension scheme members, the value on offer to scheme trustees and employee sponsors should not be overlooked. In combination with the benefits for members, this makes the case for investment in new solutions powerful.
And while there will be an upfront cost to such investment, two-thirds of employers (67%) see scope for cost efficiencies from adopting new technologies; these may partially or wholly offset such costs.

i. Pension schemes' investment plans

It is clear from our survey that large numbers of employers and scheme trustees now accept the arguments for investment in a range of solutions – particularly in areas where there is scope to deliver greater value to members, but more broadly too. And while the number of employers planning investments in the next 12 months is more limited, the figures rise appreciably on a three-year view.

Employers' investment plans vary in scale. In some cases, employers plan relatively modest outlays, with a third expecting their pensions technology investment plans to cost less than £25,000. Elsewhere, however, the scale of investment is greater, including a small minority of employers that expect to spend in excess of £250,000.

This is not to suggest that all schemes need to make the most substantial level of investment – there is no one-size-fits-all approach. However, those with bigger budgets are likely to be hoping to secure a range of benefits, with 39% of employers arguing that they see tangible value in investment in different aspects of new technology. Slightly fewer employers (37%) single out employee engagement as the driver for their investment plans, while 19% hope to improve member communications.

Nevertheless, technology providers will continue to need to make the case for investment in pensions, with a significant minority of employers still to commit. A quarter of the respondents to this survey (24%) say they have no plans at all to invest in new pensions technology in the foreseeable future. They will need to be convinced of the value on offer to all stakeholders; the employer's role in encouraging employees to save more is undoubtedly crucial, but scheme sponsors may need to see evidence of benefits for their businesses.

Certainly, the issue of cost looms large. Some 12% of employers not planning new technology investments say they consider the cost to be prohibitive. But there are other question marks too. Despite employees citing the need for improved understanding and closer engagement with pension planning, 20% of employers say they have seen no evidence of demand.

To some extent, this will be a chicken-and-egg debate. Employee engagement with their pension scheme may currently be low because members lack the means to engage; pensions technology solutions have the potential to solve that problem – thereby increasing demand for more tools that give members greater access to their retirement planning.

ii. Broader pensions technology benefits

Over time, moreover, the demand for pensions technology adoption is likely to increase from stakeholders other than members – as a broader value case emerges in a wider range of contexts.

For trustees, for example, the promise includes the prospect of reduced cost and improved governance, with solutions that enable more efficient and controlled scheme administration. There will also be an increasing need to invest in cyber security technologies that enhance pension schemes' resilience in the face of the mounting threat.

For sponsors, meanwhile, solutions offer a much more strategic and analytical approach to scheme financing, leveraging real-time information to drive optimised decision making. Other tools will support pension scheme de-risking, providing the foundations on which to assess potential solutions for reducing long-term liabilities.

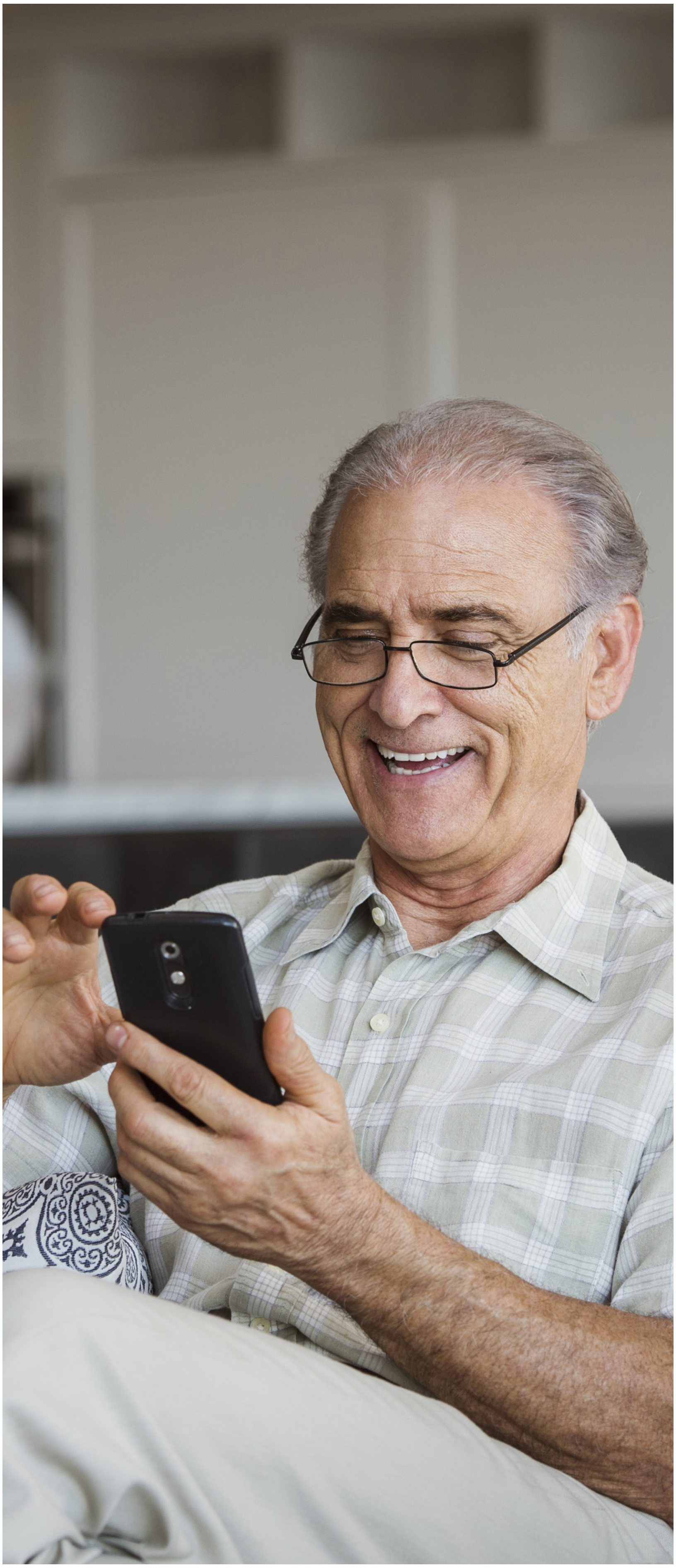
Moreover, while pensions technology remains at a relatively early stage of development, innovation is now evolving at pace. New use cases will continue to emerge. Blockchain developers, for example, are making the case for the use of distributed ledger technologies to improve collections and payments. Robotic processing automation tools and artificial intelligence technologies have potentially exciting new applications in pensions administration and asset management.

Conclusion: Where pensions technology goes from here

The evidence of this report is that pensions technology has an important role to play in helping pension scheme members, trustees and employer sponsors alike to realise their goals. It is also the case that some employers have not yet thought deeply about how to exploit technology to harness its full potential. Given the rapid development of further technological advances that will provide even greater benefits, this now needs to change.

In fact, more than half of the employers in this survey (52%) don't believe that pensions technology is getting the attention it deserves compared to other industries. Many see scope for greater use of a range of different tools: 20% believe big data and analytics will be important, for example, while 17% cite robo advice.

In other cases, the applications of new technologies are not yet clear. For instance, relatively few employers are yet clear about how blockchain innovation might benefit their pension schemes; nor do they yet see the full potential of artificial intelligence.



Nevertheless, the direction of travel is clear. As pension scheme members themselves become more demanding – particularly employees in tech savvy younger generations – they will expect greater access to tools that enable them to manage their savings. As for trustees and employers, the pressures on scheme financing and administration are mounting: pensions technology tools offer a means to manage these pressures more effectively, with increased efficiency, better risk management and superior scheme performance.

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