JUNE 2020
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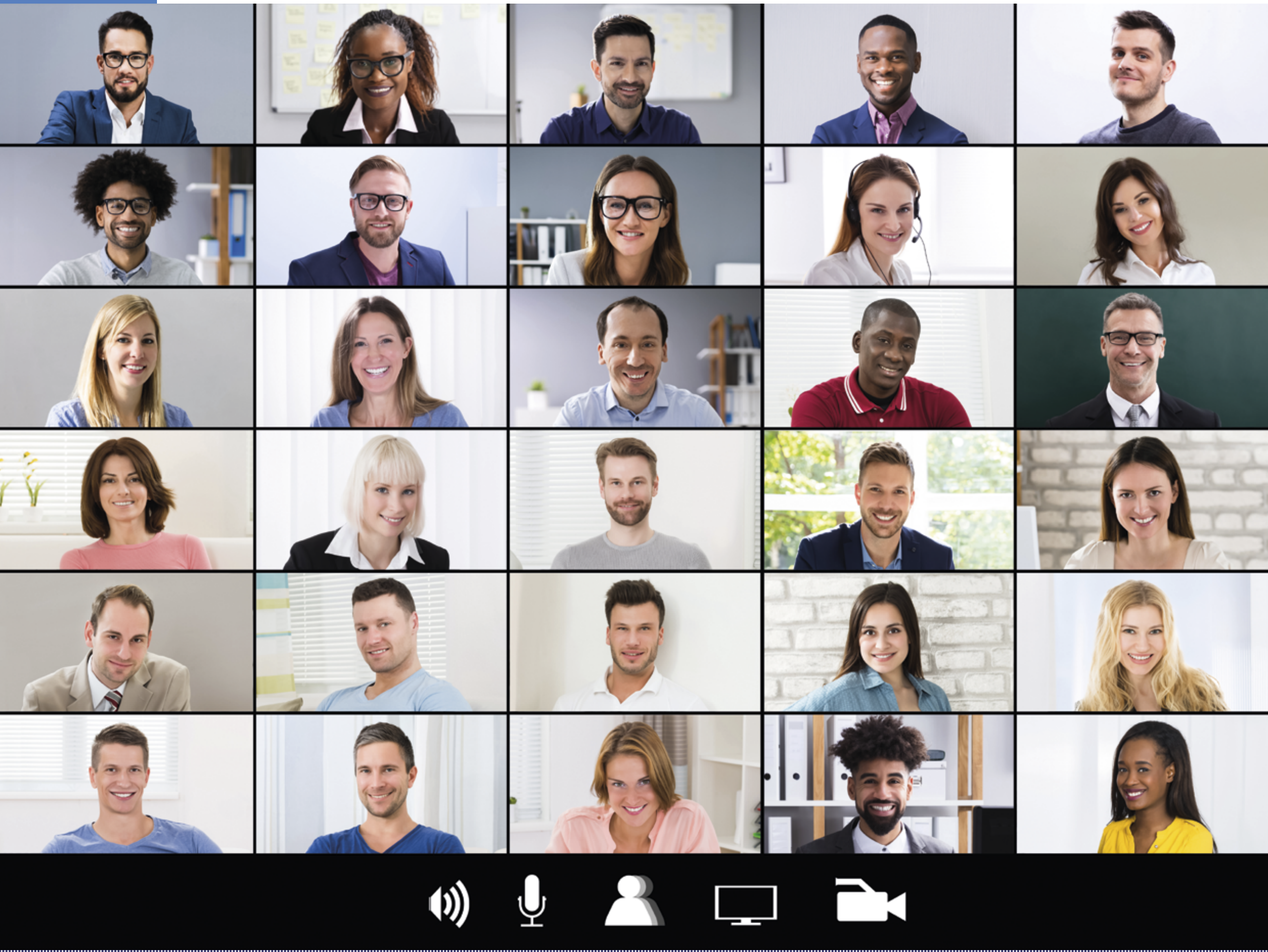
ROUNDTABLE



ENGAGEMENT – CONNECTING IN A TIME OF CRISIS

DIGITAL ENGAGEMENT PREMIUM
A TECHNOLOGICAL LEAP FORWARD?

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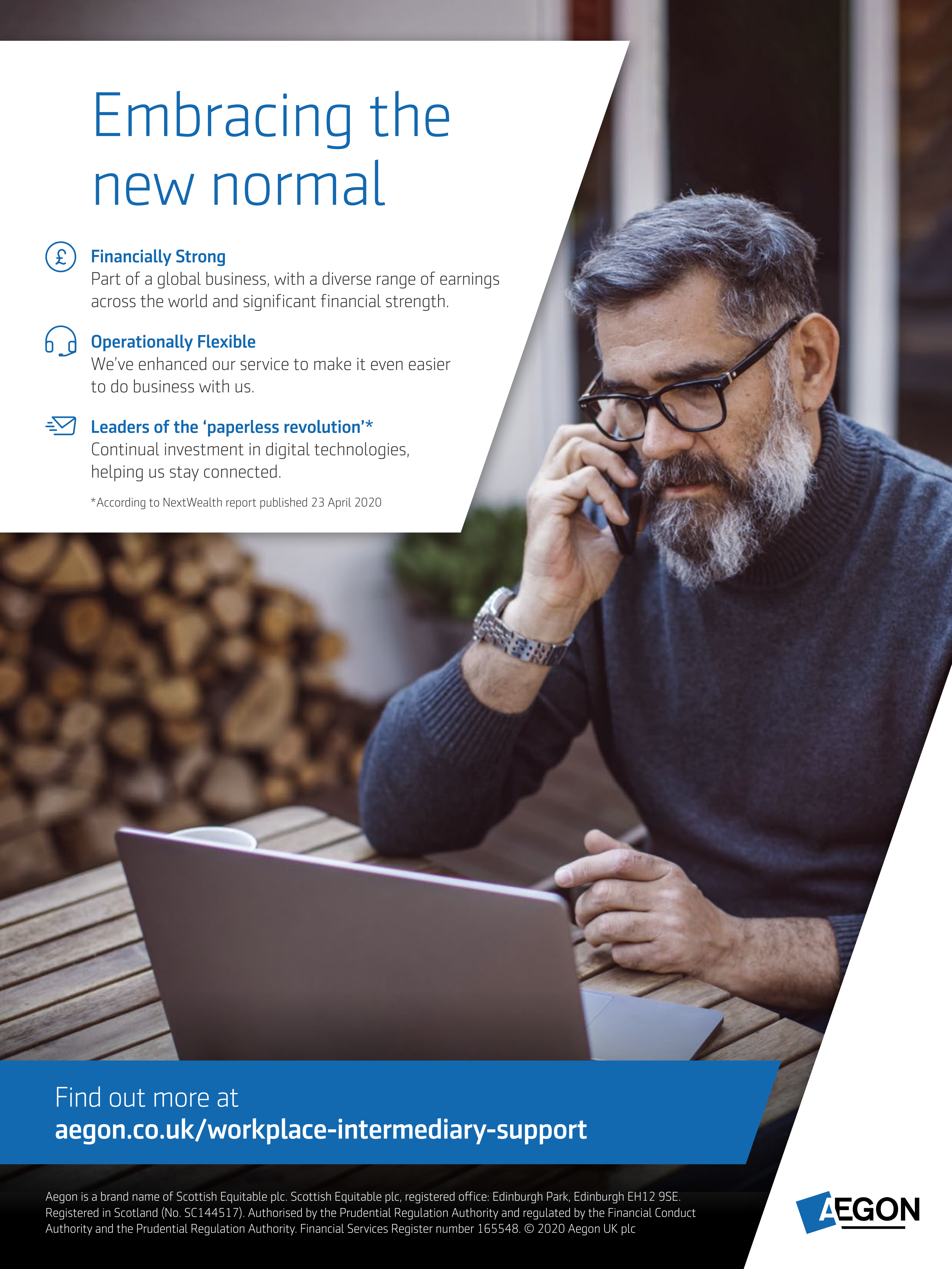
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Financially Strong
Part of a global business, with a diverse range of earnings across the world and significant financial strength.
Operationally Flexible
We've enhanced our service to make it even easier to do business with us.
Leaders of the 'paperless revolution'*
Continual investment in digital technologies, helping us stay connected.
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THE POWER OF ENGAGEMENT

Engagement can be a powerful force for achieving outstanding member outcomes

John Greenwood
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When it comes to pensions, engagement means different things to different people. Most of the time pension professionals argue there isn't enough of it. When markets become volatile, too much of it is sometimes seen as a bad thing. The entire auto-enrolment project is built on a lack of it.

But the behavioural responses of pensions customers to this Covid-19 pandemic appear to show that the industry is taking steps towards getting engagement right.

Feedback from providers and consultants indicates there haven't been too many people voting with their feet as markets plummeted. Yes the massive market falls of mid-March led to an equally massive increase in enquiries for fund values, but the diversified nature of modern pension scheme investments has meant losses were nowhere near as great as the headlines might have suggested, and the way this was communicated has reassured members.

What's more, it appears a proportion of scheme members have been engaged enough with their pensions and the usual course of stock market cycles to actually pay more in. Aegon has seen 28 per cent of younger savers – between 18 and 34 years old – making one-off payments into their pension, presumably moved at the thought of buying at the bottom of the market. If this trend is replicated elsewhere, both amongst other providers and in future downturns, then we may yet point to the Covid crash as a turning point in engagement with pensions.

At the same time other research has found one in 10 pension savers have cut back on saving for retirement due to the coronavirus pandemic. Evidence, if it were needed, that lockdown is leaving some people with more money than they can spend, while others are seeing their disposable income fall off a cliff.

A cohort of savvy millennials does not of itself signify that the UK population is engaged with pensions to anywhere near the extent it needs to be – particularly as greater numbers are required to live off defined contribution for retirements extending into decades.

But it does show that engagement is a crucial element of a pension scheme's proposition, carrying with it the power to fundamentally change outcomes for the better.

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ENGAGEMENT – CONNECTING IN A TIME OF CRISIS

DIGITAL ENGAGEMENT PREMIUM

Employers, employees and even some providers are feeling the pressure of the financial downturn caused by the pandemic. Digital communications have stepped up to the plate to keep savers on the right track hears **Emma Simon**

The Covid-19 crisis and subsequent economic fallout has underlined the importance of communication and member engagement in the pensions market. But the nature of this crisis has also driven big changes in the way messaging is delivered by both providers and consultants.

Given the lockdown and the restrictions on social distancing, it is no surprise that digital engagement strategies have come to the fore. Advisers and providers attending a virtual roundtable event hosted by Corporate Adviser, Engagement – Connecting in a Time of Crisis, agreed this was a positive trend, and emphasised that the switch to digital was likely to continue whenever the economy starts to open up.

Barnett Waddingham partner Damian Stancombe said: "This crisis is fast forwarding many of the trends we were already seeing, from more flexible working patterns to the wider take-up of digital communications."

Aegon managing director, workplace business Linda Whorlow said digital capabilities, including webinars, webchats, personal video summaries, and online conferencing, had proved effective and efficient ways to offer reassurance to clients, as well as to answer employer and employees' questions, and provide financial education remotely. This has led to some surprisingly positive engagement outcomes.

Data from Aegon suggests that these digital strategies, given an unexpected boost by the pandemic lockdown, have been increasing engagement levels. It isn't just switched on 'digital natives' that are utilising these tools, this increased engagement is also evident from scheme members closer to retirement.

Increased engagement

Figures from the insurer indicate that in April total member requests for online support were up by as much as 500 per cent. The provider saw a 74 per cent increase in the members using these digital services to request an update on fund values.

Whorlow says this increased traffic has been prompted by the dramatic stock market falls in March, but that it has been older members who have been more likely to request a fund update. According to Aegon's figures 53 per cent of those aged 55-64 requested fund value updates, compared to 33 per cent of those aged 18-34.

The provider's data also showed that this digital engagement isn't just about getting basic information. It can also prompt a change in member behaviour, if used effectively.

"With this market volatility it is not surprising there has been an increase in members checking fund values. But we can also see how members use this information, and what behaviour this is driving," Whorlow said.

Extra contributions

She pointed out 28 per cent of the youngest cohort - those aged 18-34 - had made additional one-off payments into their pension, presumably to take advantage of lower asset prices. This compares to just 10 per cent of the older age group - aged 55-64.

The fact that more than a quarter of this younger cohort are contributing more to their pensions was seen by some delegates as surprising, particularly given the fact the UK is facing a serious recession as a result of this extended economic lockdown, and unemployment is already rising.

But other advisers attending the roundtable said this did not seem out of line with their experiences. As several adviser delegates pointed out, people's experience of this crisis can be very different, and may vary hugely depending on the sector they work in, their age, and financial cushion

Aegon managing director, workplace business Linda Whorlow

DIGITAL ENGAGEMENTS

TPUX - Member Self Service	
New registrations (numbers) 23 March to 27 May 2020	4,992
Member Actions	8,829
Contribution %	10.2%
Fund Choice	33.6%
Accessed Modeller	34.9%
Change made via modeller	0.0%
Transfer In	2.9%
Manage Income	1.0%
Cash Lump Sum	3.5%
Retirement Income	0.0%
Address Updated	8.0%
Phone Updated	1.8%

Source: Aegon

they have and the impact of the lockdown on their spending behaviour.

While some members face job insecurity and diminishing income, others have been able to continue to work from home and have seen day-to-day outgoings reduce, be it commuting costs or the money they would have spent on holidays, socialising and eating out.

Redington head of DC and financial well-being Lydia Fearn said that it appears likely members have learnt lessons from previous stock market crashes. "It might be that it's parents in this older cohort who are advising children it is a good opportunity to invest more."

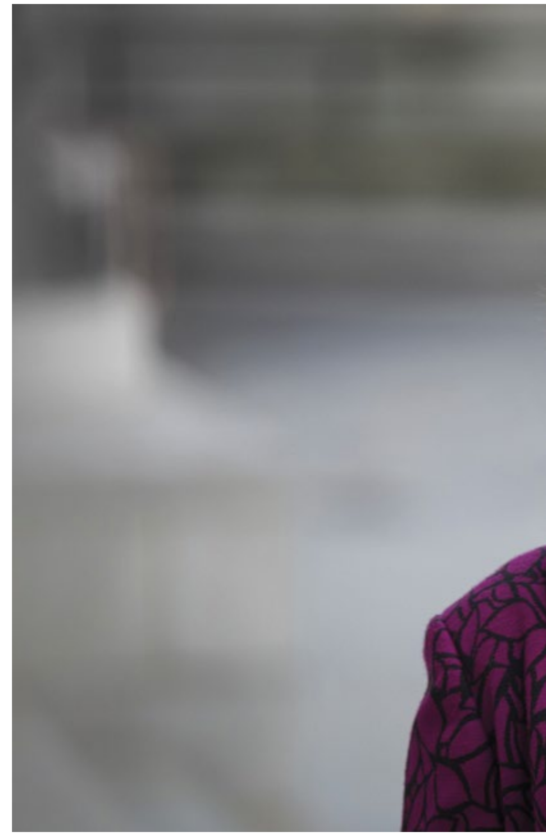
But when it comes to influencing member behaviour there is a more important goal than persuading those who can afford it to pay more in. One key issue is ensuring members aren't stopping contributions unnecessarily, or switching to cash and withdrawing funds from pension schemes.

Rush for cash

Cowry Consulting chief choice architect Jez Groom said: "In any crisis it is inevitable that there will be a rush for certainty and cash.

"As a business we are trying to advise people, whether by phone, email or secure messaging on a website, that now is ▶

(Left to right) Barnett Waddingham partner Damian Stancombe, LEBC director Kay Ingram and Premier head of employer services Sue Pemberton



probably not the best time to withdraw money from a scheme, or crystallise losses by selling assets. This closes down the opportunity for future growth."

He said part of this consultancy role is to guide members and provide information on the different options or strategies available. "One of the key tasks is to try to understand which members are facing severe financial difficulties and might need this money, and which are just worried by external events and are looking to shift into cash as a precautionary measure. We have to filter where the real need is, and help others reorientate their goals."

Hymans Robertson DC consultant Greer Flanagan said this triage of employees' guidance needs is a potentially huge issue. Many members will be looking to their employer for help, and guidance and content offered by providers and consultants can support them in this role.

She pointed out that her organisation has seen a 28-year old trying to cash in their pension savings. "This crisis has highlighted the lack of financial resilience in many parts of the population." She says this an issue the industry needed to address, in term of financial education, and offering more innovative products, such as the Nest sidecar savings initiative.

Several advisers said that they have had corporate clients, particularly those in hard-hit sectors, seeking advice on contributions holidays or reducing contributions down to the AE minimums

Stancombe agreed that low saving levels and high levels of personal debt remain an endemic problem, and one that this crisis is likely to exacerbate for many. He said: "Frankly I am amazed by the number of people putting more money into their pensions. Many are facing significant financial challenges, and will be worried if they have a job in three months' time. For many people it will not be sensible to lock money away for the long term when they are more concerned about finances today."

Consultants and advisers highlighted the fact that it isn't just members' financial resilience or lack of it that is impacting contribution behaviour. Profit streams and revenues at many companies have been hit by the lockdown, and this could impact current and future pension contributions.

Premier head of employer services Sue Pemberton said advisers also need to provide support and guidance for corporate clients, as well as individual members, to help them make appropriate decisions. Certain sectors of the economy - such as leisure, hospitality travel and recruitment have been particularly hard hit, she said.

Several advisers said that they have had corporate clients, particularly those in hard-hit sectors, seeking advice on contribution holidays or reducing contributions down to AE minimums.

Levelling down

Currently regulations do not allow for companies to stop making minimum AE contributions, but those who have furloughed staff will have these pension costs met by the government.

Stancombe suggested this issue could get worse, and not just affect businesses in these hardest-hit sectors. He said all sorts

SCHEME MEMBER BEHAVIOUR CHANGE THROUGH LOCKDOWN

March 2020	YOY Variance
Single Contributions	+115%
Switch requests	+32.3%
Transfers in	-13.5%
April 2020	**YOY Variance**
Members requesting support for on-line (TPUX)	+522%
Fund value requests	+74.6%
Members general enquiries for Account information	+43%
Transfer Outs	+37.9%
Bereavement cases: (5 Covid-19 related bereavements received)	+17%
Claims payments (UFPLS/Small Pots)	-17.3%
Transfer Ins	-22.8%
Updating Beneficiary details	-51.4%

Source: Aegon

of companies and entire sectors could find themselves struggling in future, as and when recession bites and government support is removed.

Fearn said that while DC schemes have been protected to a certain extent at present, there are concerns whether funding levels could be hit at a later stage particularly if there is a hit on DB schemes.

She explained: "Some DB schemes may be left with funding holes as a result of this current situation. If companies are going to struggle to fund these, then this could have an impact on funding available for DC schemes going forward."

However, LEBC director Kay Ingram said that on the whole most corporate clients have continued to fund DC workplace schemes and have not sought to reduce contribution levels.

"When you look at the total cost of running a business, pensions remain a relatively small part of this, at least for DC members. At present we have not seen a lot of companies going down this route."

However while this may suggest a broadly positive bill of health for the workplace DC sector Ingram did sound a note of warning.

"In many ways corporates are being supported by the furlough scheme, which to some extent may be kicking the problems ▶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Cowry Consulting chief choice architect Jez Groom (main picture) and Hymans Robertson DC consultant Greer Flanagan

The long-term implications could have a serious effect on the business plans and funding models of many DC pension, particularly those in the master trust sector

they have further down the road. The real test will come when this furlough scheme and the various support grants and loans are withdrawn," she said.

Others attending agreed that we remain at an early stage of this crisis, and while the current health situation will hopefully improve in the months ahead, it may take a lot longer for the economic storm clouds to lift.

The long-term implications could have a serious effect on the business plans and funding models of many DC pensions, particularly those in the master trust sector.

Financial strength

Flanagan said that trustees and those running master trusts need to look at how robust their funding models are going forward. Assumptions about new contribution levels, inflows and revenue from existing assets under management will have to be adjusted, and this may affect future investment going forward, whether in technology, administration systems, marketing or member communications.

She said one consequence of this squeeze on providers might be to speed up consolidation in the master trust sector.

For advisers looking to recommend schemes and switch existing propositions then issues of financial strength and capital adequacy may become more prominent, as they did after the last financial crash. Delegates debated whether providers that were regulated by the Financial Conduct Authority and Prudential Regulation Authority, as well as The Pensions Regulator, had an advantage in this regard.

Whorlow said that she expects more focus on these factors in future. "At Aegon we have always been keen to stress our capital strength, our prudent financial management and the fact that the master trust is backed by a global insurer. This should provide peace of mind for the client that we can continue to adapt to market conditions, and develop the proposition as planned."

Fearn said the financial strength of a provider has always been an important factor when recommending a scheme. "With any master trust we want to look at the underlying business strength of the proposition. The authorisation process has helped – and has led to the consolidation of many smaller trusts.

"But we still want to look under the bonnet, see how the business is positioned moving forward, look at the assets under management and contributions flowing in before making any recommendation." ■

ENGAGEMENT – CONNECTING IN A TIME OF CRISIS

A TECHNOLOGICAL LEAP FORWARD?

Advisers and providers have adapted and innovated to meet the challenges of lockdown. But will these new practices survive post-lockdown? **Emma Simon** reports

The Covid-19 pandemic has presented many operational challenges for consultants and providers in the DC pensions market.

However it has also created opportunities to trial news ways of working, and promote digital communication strategies to improve engagement levels.

Many of the consultants attending a roundtable, Engagement – Connecting in a Time of Crisis, said these online and digital communications tools had proved popular, with both clients and members, and had helped boost engagement levels.

Video conferencing platforms, such as Zoom, have been widely used across the corporate sphere to help companies keep in touch with employees and clients.

Increased interaction

Premier head of employer services Sue Pemberton said this technology enables consultants to offer a more bespoke service while still interacting with clients and members.

"There has been a significant turnout to many of the Zoom meetings and webinars we have put on for clients. At a recent meeting there were 220 employees who tuned in to one webinar. This is a far higher number that we would expect if we were doing on-site presentations and meetings," she said.

She said this digital engagement offers benefits for both employees and the employer. "We find that there are a lot more questions from employees. They are not necessarily visible, and can send questions by text, so they don't feel exposed asking questions. The feedback shows a lot of engagement from members who want to know more about their pensions and wider benefits."

From an employers' view she pointed out that this digital delivery mode can be far more cost-effective and offers a better use of employees' time. "These types of meetings tend to be more concise. In an office people are milling around afterwards and going for a coffee. Here people can log on and get the information they need. There is less of an impact on productivity," she said.

But is this increased engagement partly the result of much of the workforce being stuck at home at present? Will webinars be as well attended once office life starts to return to normal?

Captive audience

Redington head of DC and financial well-being Lydia Fearn said this increased productivity and engagement is certainly apparent in online meetings with trustees and clients. But she said it remains to be seen whether people will engage to the same extent when they are back in an office, or out and about meeting clients.

Pemberton added that Premier was seeing more engagement with these video conferencing webinars, prior to this coronavirus pandemic, and she expects this trend to continue. This was a view is shared by Barnett Waddingham partner Damian Stancombe, who says that this crisis is accelerating certain positive trends within the DC pensions market.

Those attending the roundtable said that while there was a clear line dividing working practice before and after the coronavirus outbreak, there is likely to be less of a clear cut distinction when it comes to easing the economic lockdown.

As a result these kind of technologies – which facilitate interaction while reducing social distancing – will continue to play be an important part of the consultant's tool kit.

Aegon managing director, workplace business Linda Whorlow predicted this 'new normal' is likely to be very different to what went before, with more flexible ▶

Redington head of DC and financial well-being Lydia Fearn

The Covid crisis has changed much in the workplace pensions sector, including increased digital communication and enhanced engagement from members

working hours and social distancing guidelines remaining in pace for the foreseeable future.

She said: "We would like to continue to have an onsite presence at some point in the future, but there may be a different blend of digital and face-to-face options in the post-Covid environment."

New normal?

The Covid crisis has changed much in the workplace pensions sector, including increased digital communication and enhanced engagement from members, but Cowry Consulting's chief choice architect Jez Groom said that the industry can't assume these changes will 'stick', people may revert to their old behaviours once the crisis is over he says.

"There is a real opportunity here," he said, "to build on this digital engagement with proper investment in its infrastructure. This can benefit members across the board, whether they have a pension pot of £30,000 or £500,000.

"These members have a good experience at present. Providers can facilitate easy onboarding and log-ins. The hard work needs to be done now though to create the experience that locks in these behaviours."

Pemberton did not agree that things will rapidly "revert to back to the norm". Much will depend on how often and for how long people get used to using these digital services. "If it becomes a habit then I'd expect to see this carrying on in future," she said.

The challenge for providers and consultants is providing a service that does not lose the human touch she said.

Tailored messaging

Whorlow argued that technology offers the opportunity to ensure that member communications are more tailored: for example by using personalised video statements. These can encourage richer engagement experiences, and evidence suggests this can be an effective way of presenting information that can easily absorbed by individuals.

Groom added: "Providers have a duty of care to all their customers, and in the rush to provide services for members that are comfortable in an online environment, using apps and video statements, there is the danger that the needs of cohorts, particularly more vulnerable customers might get lost."

Many at the roundtable said the widely predicted move to more flexible working patterns could benefit the industry. There are cost savings to businesses, and it has the potential to improve wellbeing and work-life balance for many employees.

However Groom pointed out that companies should not automatically assume this will be beneficial for everyone. He said while some will be more productive without a long commute and may welcome more flexible hours, it was important to remember that many people to not have adequate work spaces in the home, and may have difficulty setting boundaries between their working and family life.

"Businesses are likely to make substantial savings on office costs. We would like to see some of this invested in their staff and ensuring suitable working from home environments, not just a laptop that's connected to a secure server."

This new working environment may provide a challenge for the pensions industry, but many have adapted and are continuing to provide a full consulting service for clients.

Digital pitching

However some advisers said despite being able to offer a full service, the crisis had had an impact on new business levels.

From a provider's perspective, Aegon said the lack of face-to-face contact had not stopped the company pitching for, and winning new business – it had been involved in about half a dozen online pitches in recent weeks said Whorlow.

But while some providers were leading the way in a digital-first environment, the consultants on the panel agreed that ▶

"Given the current crisis there has been increased demand for these services from members, but the level of support available from some providers has reduced"

provider service standards had varied across the industry, with many struggling to offer a full service delivery, particularly in the early days of the lockdown.

LEBC director Kay Ingram says: "There were certainly some difficulties initially, particularly around issues of wet signatures, or of forms being sent pre-lockdown that were stuck in head offices."

She added that the private client side of LEBC's business found banks and building societies were particularly inflexible.

Part of the problem, she said, was that many people thought this lockdown period might last just two or three weeks. "As it became apparent it would last much longer, companies have put policies and processes in place to cope with these changes."

Service standards

Fearn said it is clear that some insurers and fund managers have coped better than others. Part of the problem, she said, has been an increased demand from clients and advisers for information, although she points out that this is starting to "calm down to more manageable levels now".

Hymans Robertson DC consultant Greer Flanagan agreed: "Some providers have taken longer than others to adapt to the current situation, but everyone seems to be up to speed now."

Pemberton also thought there has been discrepancies in provider service standards. "Some have done well, others have struggled. It has been frustrating, particularly when it comes to member helplines. Given the current crisis there has been increased demand for these services from members, but the level of support available from some providers has reduced."

One of the issue for consultants has been the complexity around pensions and benefits, particularly for companies who have employees on the Government furlough scheme.

Furlough complexity

One key area of complexity has been around staff who had previously opted for salary sacrifice, as the payments they receive from the government relate to the level of take-home pay, once this salary sacrifice has been made.

Ingram said this is an area where consultants can provide valuable information and advice for employers, not least explaining the regulations around this.

"It's important that employers aren't seen by The Pensions Regulator to be encouraging people to opt out of pensions. There will be members who opt out as a result of hardship. Technically employers do not have to re-enrol them for 12 months, but we think they should use their discretion and allow them to rejoin earlier, if that is possible. There are a lot of technical issues around all of this that employers need to take on board," she said.

Pemberton added that while some of the communications are centred on complex regulations there is the opportunity for consultants to tell "a very positive story" when it comes to wider benefits issues.

"Salary sacrifice doesn't just affect pension contributions. Employers - and employees - will want to know if it impacts others benefits, such as death in service benefits or any income protection that is in place. In most cases insurers have been very supportive of maintaining benefits at the pre-furlough salary level," she said.

"Alongside this there are other valuable benefits that are available on medical insurance and other group risk policies — for example access to a virtual GP and counselling services. We've seen some insurers extend these additional benefits at this time to help support employee wellbeing. This is a very positive message to communicate and shows the sector working constructively through what have been very challenging times." ■

OPINION

DIGITAL INNOVATION IS KEY TO KEEPING MEMBERS CONNECTED

» **Linda Whorlow** Managing Director of Workplace, Aegon UK

As employers act to meet the practical, emotional and mental wellbeing needs of their employees during the coronavirus pandemic, the financial wellness of their employees should not be forgotten.

No one in the UK has escaped the impact of the coronavirus pandemic – be it employment, health, or childcare challenges – all of which will have effected wellbeing in some shape or form, financial wellbeing included.

People are being forced to adapt to the situation and it's led to a rapid increase in the number of people doing things digitally, employers included. Digital engagement and communication has never been more valuable when it comes to employee benefits.

Discovering the digital world of pensions

Digital communication and engagement has long been central to the Aegon proposition and with the pandemic demanding powerful and paperless engagement, this has enabled Aegon to demonstrate the full extent of its digital capabilities for employers and their members.

Webinars, podcasts, webchat functionality, frequently asked questions films specifically designed to support the need for information on impacts of the coronavirus have recently complemented the existing range of digital tools we offer employers and their members such as Aegon's award winning pension video summaries and the innovative Aegon scheme governance tool, Member Insights.

The animated video pension summaries have transformed the average pension communication for members of Aegon's workplace pensions and have come into their own during this crisis. They feature real time pension information such as fund values and contributions levels in a 3 minute video summary which provide members with a timely picture of their retirement savings position.

The summary can be accessed online at any time but is also delivered by email ahead of the paper statement that is linked to a member's renewal date. The film was built and developed using a matrix of data and gamification techniques. It also uses the latest behavioural science insights to shape the design, language, sounds and features to ensure people are fully engaged.

It contains 10 sections that are completely personal to the member and references lifestyle targets rather than setting retirement goals. These include age, value and investment status. There are more than 3 million unique script and scene variations.

Digital pension summaries are just one of many ways in which Aegon is adapting its proposition and communication to meet and exceed customer expectations. And Aegon will continue to develop forms of communication based on employer, employee and adviser feedback.

What can employers do?

The first thing that employers should do is provide the reassurance their members need and support them with the tools and information to make the best decisions for their own circumstances.

Employers should lean on their adviser and Workplace providers to access the wealth of both existing and new dedicated support, including access to telephone guidance at this difficult and confusing time.

While many people might find themselves with financial challenges – like reduced household income or ill health – there are equally many people who are financially benefitting from the current situation – such as saving money on commuting or childcare. No two employees will be in the same boat and an employer will need to do their best to be sensitive to this variation.

This is where the role of scheme governance and accurate scheme data analysis is so vital.

Insight equips employers to provide good communication

Aegon's "Member Insights" is an automated data analytics solution to help employers and corporate advisers meet their governance responsibilities, to run their scheme effectively and make decisions with confidence.

Using Aegon's Member Insights digital tool, employers and corporate consultants can see critical information about their scheme such as fund performance, service standards and member outcomes and detailed scheme data about members' savings levels, potential retirement income and the levels of engagement scheme members have with their retirement savings. This is all captured in a downloadable report that provides the graphs, data and commentary on the scheme which can be saved and shared to help with decisions in governance and adviser meetings.

It also enables them to put insight into action by launching targeted email campaigns to the entire scheme membership or specific segments of the membership across a range of topics, setting it apart from other solutions on the market.

These insights and targeted communications help steer members in the right direction and improve member outcomes.

Keeping the connection open during a crisis

It's key that during such a crisis, employers communicate and inform their employees about the services and support available to help them assess their options.

Ensuring that employees know the employee benefits they have access to might help them navigate their finances this difficult time.

And pointing employees in the right direction for the financial guidance and advice they need, could help employers get the best results from their workforce. If money worries are addressed, employers will see better employee focus and productivity from employees. ■

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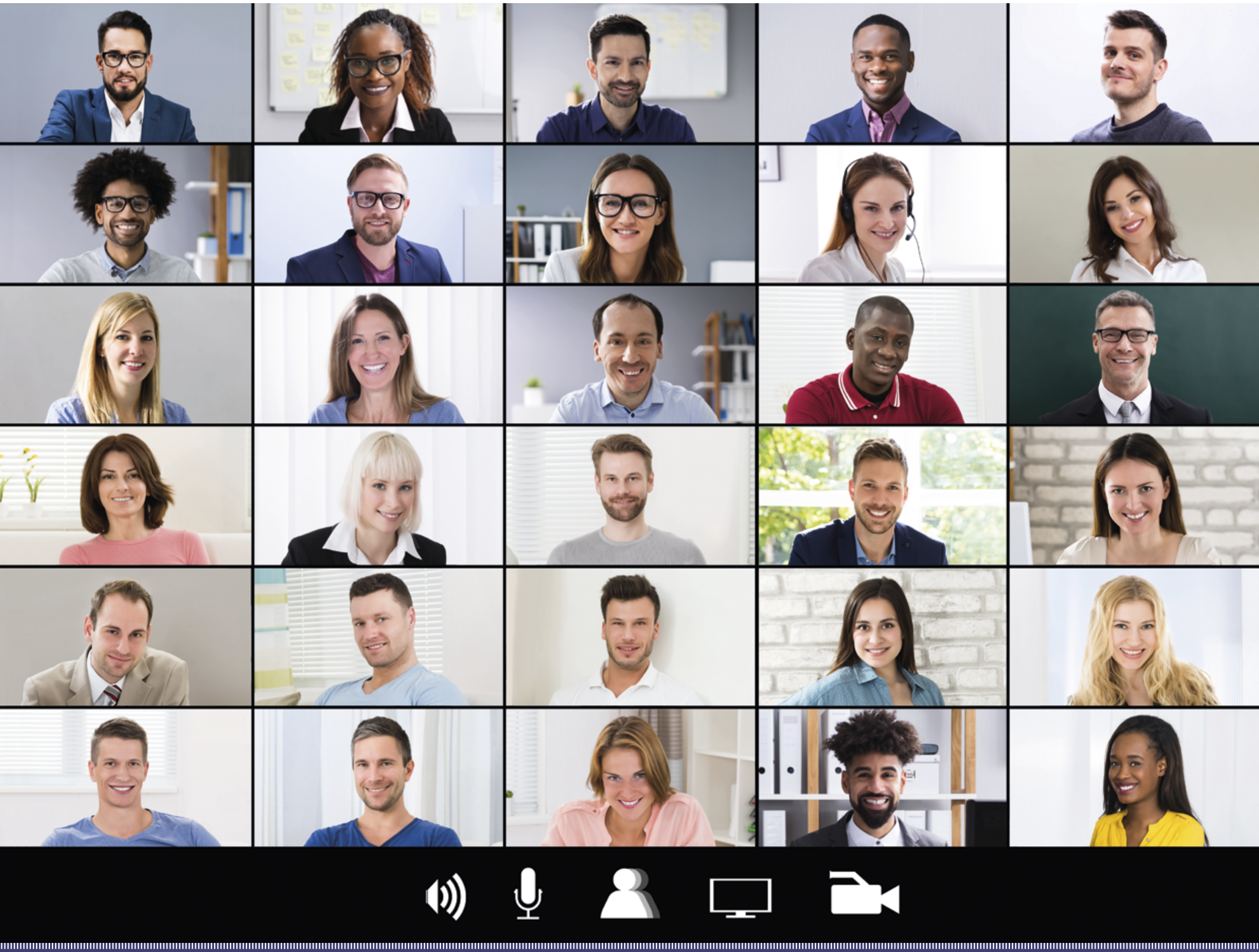

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