

# Making a statement

How technology can boost member engagement



**Alexandra Miles** is a Solutions Strategy Manager in Legal & General Investment Management's Solutions Group, working with our defined benefit (DB) and defined contribution (DC) clients to implement solutions based investment strategies.



## KEY POINTS:

- Most employees take no pensions guidance, which can cause problems after retirement
- With defined contribution pensions likely to form future generations' main source of post-retirement income, member engagement is becoming more important than ever
- We show how we at Legal & General (L&G) created video pension benefit statements for a key client, which encouraged 95% of viewers to watch until the end. Of these, 37% took action and reviewed their contribution level

In this paper we assess different ways of engaging members – and their potential impact on outcomes. We explain how, by harnessing technology, we were able to improve member engagement for one of our clients, increasing pension email open rates by over 100%, and significantly increasing proactive contributions towards participants' financial future.

The Financial Conduct Authority's (FCA) 2018 Retirement Outcomes Review highlighted that most retirees take no pension guidance whatsoever. This may have serious consequences for their retirement options.

94% of members<sup>1</sup> who accessed their pensions without taking advice accepted the drawdown option offered by their current provider, compared with 35% for advised members. We believe that stronger, earlier engagement helps members to better align their investment options and contribution rates with their personal savings goals.

A range of industry experts have called for better communication, support and guidance for workplace pension scheme members. These can be anything from educational advice videos, to encouraging participants to check their pension online, or nudging members to boost their savings. Technological advances mean there is no excuse for providers and employers not to do more to jog members into a more active engagement with their pension.

As a start, trustees and providers need to ask:

- What is the ideal outcome for the scheme?
- Have you set measurable targets detailing how you will create useful interactions for your members?
- Are guidance and milestone touch-points personalised to the individual retirement journey?

<sup>1</sup> Retirement Outcomes Review – final report – June 2018

## TALKIN' BOUT MY GENERATION

As the prevalence of final salary schemes falls, the savings accrued in a defined contribution (DC) vehicle should become more important, even though pension payouts from employers may decrease in size. DC pots are currently small relative to defined benefit (DB) payments. Lane Clark & Peacock and the Pensions Policy Institute estimate that of pension contributions made by companies in 2015, £13.3 billion, or 69%<sup>2</sup>, went to retirees in DB, or final salary schemes. Just £6 billion — 31% — was paid to DC members. However, due in part to first-time buyers growing older and property ownership less common, for Generation DC (born from the early 1980s onwards), DC pensions will likely become members' main income in retirement. With the advent of Pension Freedoms there is no longer a 'one size fits all' approach; now members have the opportunity to take their money in more flexible ways that suit their individual circumstances.

## EARLY INTERVENTION

The regulatory authorities have woken up to the need for a different kind of retirement journey management, which is customisable and uses technology. Many new initiatives focus on mid-life reminders. John Cridland, in his independent review of the state pension, advocated a "mid-life MOT", the FCA has suggested 'wake up packs' for members aged 50. The 2016 budget contained an initiative to develop a Pensions Dashboard which gives members an at-a-glance consolidated view of their various pension pots. This is more pressing than ever, as the UK Department for Work and Pensions estimates that the average scheme member will have collected 11 different pots by the time they come to retire<sup>3</sup>.

## TECH ME OUT

However, government intervention alone is not enough. We believe that simplifying and demystifying the retirement journey starts with effective member communication, making use of a wider array of media.

The evidence suggests that this is what members want too. Early in 2018, we helped one of our largest clients, RBS, craft personalised video benefit statements to use with members in addition to their online or paper statement, – the industry 'benchmark'. The email open rate increased by over 100%, from 15% to 31%, while click-through rates (those who moved from the email to the website landing page) rose by 220% from 13% to 42%.

Within the video, of those who opened the landing page; 98% viewed their video statement, with a staggering 95% watching to completion. A member in the scheme commented that "It was the most comprehensive information I have ever had about what my contributions mean to me and what that would look like at retirement... The visual was great and has made me think more about what I could do in the future with my choices."

Most encouragingly of all, 37% of those who watched the video statement to completion responded to a call-to-action button prompting members to click through, review and change their contribution level, taking steps to proactively protect their financial future. L&G has since been recognised for this initiative by the Workplace Savings and Benefits Awards 2018, winning Benefits Innovation of the Year.



Personalised screen from the video statement showing an individual member's balance

<sup>2</sup> <http://uk.businessinsider.com/defined-benefit-pension-transfer-wealth-from-workers-to-companies-2016-8>

<sup>3</sup> <https://www.abi.org.uk/products-and-issues/lts-public/issues-in-long-term-savings/the-pensions-dashboard/>

## SO, HOW DID WE DO IT?

In 2017, we partnered with VideoSmart, an interactive video solutions company, to create personalised pension statements in video format. The statements required 17 data points including name, scheme name, retirement age, total pension savings, projected income, projected tax-free cash, current contributions, potential contribution amount, potential retirement savings and potential tax free cash.

The campaign set out to fulfil three objectives:

- 1. Inform members about their contributions and projected savings**
- 2. Educate members on what a small change in contributions could mean**
- 3. Encourage members to review their contribution level through a clear, clickable 'call-to-action'**

## RBSelectOnline

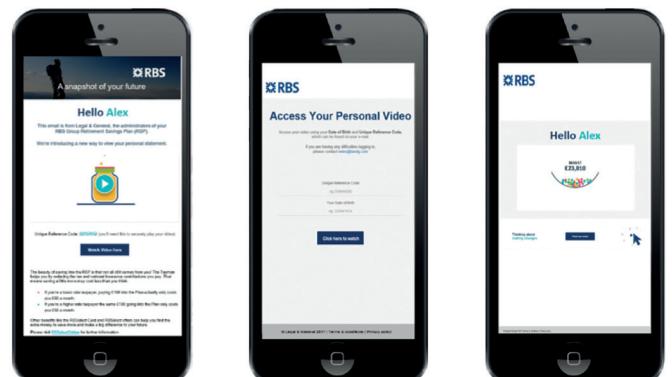
### CLICK HERE



Interactive call-to-action button in the video statement which encouraged 37% of participants to change their contribution levels

To achieve this, the video statements distilled five key messages:

- 1. Current monthly and total savings**
- 2. Projected savings in retirement**
- 3. What a change in contribution structure could mean in the future**
- 4. Options in retirement/retirement planner**
- 5. A clickable call-to-action button to change their contribution level, straight away**



At-a-glance view of the RBS member portal from the video statement

The video statement was optimised across mobile and all browser types, so that recipients were able to access their video on-the-go, at work, or in the comfort of their own home. Additionally, each video included personalised subtitles for improved accessibility. The videos were short and sweet, at two minutes long. Members will switch off — literally — if engagement takes too long, or requires undue effort, and a poor user experience also diminishes the chances of savers re-engaging at a later date.

We initially targeted our own DC scheme members before rolling this out to RBS. For an example of the full video statement, please type this into your web browser:  
<https://goo.gl/t49yQa>

## NEVER TOO LATE TO INNOVATE

Two other innovations are set to improve member engagement and speed up the path to personalisation.

An increasingly used device, popularised through services such as Amazon's Alexa, and Apple's Siri, is the use of pre-recorded phrases, chat-bots and mobile apps — or avatars, to have conversations with members. In future, the artificial intelligence technology behind avatars will help collate member data, providing an insight into their financial wellbeing and pension plans as well as dispensing nuggets of personalised guidance. The software can then 'nudge' members, helping them manage and improve their finances.

Open Banking is another initiative which aims to consolidate members' financial services, and which the UK government's proposed Pension Dashboard may incorporate. The technology offers a secure way of linking together all aspects of an individual's personal finances — from their ISA, to their current account, pension and

investment portfolio, giving members a more interactive overview of their finances. This service has already hit the shelves; pension pot consolidation service PensionBee has partnered with money app Yolt to give users a live overview of their pension balance alongside other accounts.

## DYNAMIC RELATIONSHIPS

In a world where increasing numbers of DC members can expect to rely on their pension as their key source of retirement income, it is critical they are aware of the choices available to them. A myriad of changes, from pension legislation, to the shift from DB to DC pensions, has made early engagement with members, and more of it, absolutely vital. Digital innovations in the way we engage members, from personalised video statements through to avatars and Open Banking are proven ways to increase member engagement. These initiatives move member engagement away from an onerous and time-consuming process to an interactive and dynamic relationship where providers and employers can continue to innovate, collect feedback, and improve the service they offer.

## CONTACT US

If you are interested in finding out how we can help increase the levels of member engagement for your scheme, please get in touch with Simon Chinnery to find out more:

 +44 20 3124 4373     [Simon.Chinnery@lgim.com](mailto:Simon.Chinnery@lgim.com)     [lgim.com](http://lgim.com)

## Important Notice

This document is designed for the use of professional investors and their advisers. No responsibility can be accepted by Legal & General Investment Management Limited or contributors as a result of information contained in this publication. Specific advice should be taken when dealing with specific situations. The views expressed here are not necessarily those of Legal & General Investment Management Limited and Legal & General Investment Management Limited may or may not have acted upon them. Past performance is not a guide to future performance. This document may not be used for the purposes of an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

© 2018 Legal & General Investment Management Limited. All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, including photocopying and recording, without the written permission of the publishers.

Legal & General Investment Management Ltd, One Coleman Street, London, EC2R 5AA

Authorised and regulated by the Financial Conduct Authority.

As required under applicable laws Legal & General will record all telephone and electronic communications and conversations with you that result or may result in the undertaking of transactions in financial instruments on your behalf. Such records will be kept for a period of five years (or up to seven years upon request from the Financial Conduct Authority (or such successor from time to time)) and will be provided to you upon request.

M1785