

Europe has a problem with pensions engagement. In 2016 the global life assurance giant Aviva updated its 2010 report, *Mind the Gap*, and its message was stark.

According to the research, carried out by Aviva in association with consultants from Deloitte, Europeans planning to retire over the next 40 years need collectively to save an extra €2 trillion per year if they are to achieve an ‘adequate’ standard of living in retirement. That is equivalent to 13 per cent of the EU’s GDP.

The report employs a generous definition of the word ‘adequate’, using the OECD’s target average employed income replacement rate of 70 per cent. The highest current average employed income replacement rates in the EU are achieved by Poland, with 54 per cent, and France, with 53 per cent; the worst performer, the UK, manages just 39 per cent.

Nonetheless, the trajectory is clear. Only Germany is expected to maintain its current replacement rate of 42 per cent, while France’s 2016 figure of 53 per cent is expected to plunge to just 28 per cent by 2047: from second place to bottom of the European league table.

The primary reason for France’s precipitous fall is its government’s recent freezing of state pension growth rates. This contrasts with the UK government’s ‘triple lock’, which ensures generous increases to a much lower starting level of state benefit, but even this is widely believed to be unaffordable in the long term.

Aviva estimates that a five-year increase in retirement age would reduce the pension gap by a quarter, and a ten-year increase would halve it. So, even if Europe’s governments were all to tell their voters to wait an extra decade before retiring, those populations would still need to find



COMMUNICATIONS

An engaging idea

Stuart Anderson looks at the variety of ways available to help people engage with pension saving

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an extra €1 trillion per year to maintain their lifestyles when they ceased working.

The only remaining solution is increased private provision. This means individuals and their employers contributing more to their pensions – a lot more.

Defined contributions

It is highly unlikely that the gap will be filled by defined benefit pensions, so the people of Europe are going to be reliant on defined contribution schemes for security and comfort in their old age. Unfortunately, even the most generous employer-sponsored DC schemes are reliant on employees making sound decisions about their own contribution levels.

The power of inertia, rather than engagement, appears to be the driving force behind much current pensions policy. In the UK, auto-enrolment has brought millions more

people into private pension saving but the default levels of contribution are a mere drop in the ocean compared to the nation’s €365 billion per year pension savings gap.

Within the current legislative framework schemes cannot achieve what they need to by relying on inertia alone. They need positive, regular member engagement.

Branding

The advent of cost-effective digital media means that engaging content is now easier than ever to produce. However, employees actually have to look at the communications and not file them away with all their other unopened emails from head office.

Aon senior communications consultant Andy Partridge says: “Look at building a brand around your employee benefits. A lot of companies just use the outward-facing company brand but it can be

powerful, and engaging, to have a separate inward-facing brand for the company's pension scheme and wider employee benefits platform."

Personalised videos

The rapid development of digital technology is enabling schemes to communicate with their members via video – particularly using animation. The most effective of these are highly personalised and end with a clear call to action.

Mercer partner and director of consulting Brian Henderson says: "They might start by showing how much a member has put in and the impact of tax relief. Then we will use pictures to show what sort of lifestyle they are on course to experience in retirement.

"Rather than just giving them a lot of numbers we use images, ranging from a shack to a mansion, to show where they are headed. Then, at the end of the video, there is a button for them to click saying 'increase your contributions' which takes them straight to a form to do so."

The results, he says, have been dramatic: "The first one of these videos we did was for an electricity supply company. We uploaded it on a Wednesday and by the Thursday lunchtime two-thirds of the employees had watched it.

"Roughly half of those who had watched it responded to the call to action and increased their contributions. That experience has since been repeated with many clients."

But isn't this kind of technology expensive? Apparently not, according to Henderson, who says Mercer has implemented it for schemes with assets of around €20 million.

Demographics

Giving people up to date, personal information in an engaging format is

very powerful, but the precise format will differ depending on your membership. For many, particularly younger, members mobile functionality will be virtually essential but there are also other, more subtle factors to consider.

Henderson says: "People who have grown up in a Western culture will tend to read from left to right, and top to bottom, but for people who have grown up in other cultures it can be the other way around. Therefore we will provide a different screen experience depending on the user's background and first language."

Certain topics of communication will also be much more interesting to some demographics than to others. The pension income freedoms introduced in the UK in 2015 would, for instance, be far more relevant to a 50-plus-year-old than a 30-year-old, so communications about these should be sent just to the relevant group.

JLT Employee Benefits head of consulting David Millar says: "Have your audience in mind and make it personal. It can be helpful to have a pen portrait of a typical recipient in mind when talking to any specific demographic segment."

Trigger events

A great deal of recent pension communications work has focused on 'trigger events' that can drive member engagement.

Millar says: "Pension schemes hold an awful lot of data about people so if we use it well we can really target the right messages at them." In addition to sending communications around events such as key birthdays, other trigger events can be targeted including, for example, returning from parental leave.

However, this does not mean you should only talk to members at these moments. Partridge says: "Let's be

frank – a once-a-year message isn't going to work. Make a plan for actively sustaining benefits engagement with your employees throughout the year and pick strategic moments to remind your employees about their benefits packages and the value of what you're offering them."

Face time

Old fashioned face-to-face communications can also work well.

People tend to listen to their peers so a particularly powerful, and inexpensive, way of maintaining engagement can be to identify 'pension champions' within the workforce, who can spread the message to their colleagues and keep them up to date with developments. In addition to the day-to-day work of these shopfloor advocates, formal seminars and education sessions can also work well.

Henderson says: "We also do roadshows, and people turn up to those in large numbers and are hugely engaged. The roadshows are always really well received and people go away with a feel-good factor."

Any feel-good factor can, however, quickly evaporate if members then need to locate an online form, download it, print it out, fill it in by hand and either put it in an envelope and post it or scan it and email it back to a scheme administrator to increase their contributions. Henderson says that half of the audience is lost with each additional step – so a five-step process will result in just 3 per cent of members actually increasing their contributions.

It is vital, therefore, to make it quick, easy and intuitive for members to change their contribution levels, no matter how engaging the communications that led them to the point of deciding to take action. ■