reba insights

Pensions strategies for the new age of retirement

Round-table insights from employers and practitioners

In partnership with:

AVIVA

Pensions and retirement are changing: employers risk being left behind

Debi O'Donovan

Director of REBA
Reward & Employee Benefits Association (REBA)
debi.odonovan@reba.global

Each year, REBA has in-depth conversations with hundreds of leading employers, as well as advisers and consultants in our market. From these we glean emerging trends not yet impacting the vast majority of employers, but are coming down the line. This is proving especially true for upcoming changes to the employee path to retirement. Many employers are unaware just how much new and different retirement decisions being made in the years before employees fully leave the workplace will change wider reward, benefits and HR practices.

This is why REBA was delighted to bring five senior reward and benefits practitioners together with highly knowledgeable experts from Aviva to speak on-the-record about this vital challenge.

Before we feel the full impact of swirling employment demographic and skills shifts that will cause a storm of change, incoming government legislation (currently in consultation phase) is going to kick everyone into urgent action.

Expect to see more about pensions legislation through 2024, 2025 and possibly even into 2026. Regardless of which political party wins the next election, those in the know believe there is general consensus to get these new ways of thinking into play. All political parties are well aware of the huge imminent financial cost risk that will hit the state if nothing changes soon.

This urgent risk that the government can see will hit all aspects of society, and especially employers.

First, we are reaching the tipping point where more people will be reaching age 55 after only saving in defined contribution (DC) pension plans (where all the responsibility is on the employee to make sure they save enough through their careers). There will be a dawning realisation of the need to extend employments past projected retirement dates to continue to build pensions savings to achieve affordable retirements.

Second, lifelong learning and flexible careers (with career beaks, sabbaticals, retraining and new careers) are on the rise. The days of working solidly for 40-50 years then completely retiring will fade, to be replaced by longer working lives and flexible retirements blended with some work.

Third, the size of the working population is in decline because Baby Boomers are retiring, birth rates are falling and there is lower labour market migration from the European Union. No wonder recruitment and retention is such a pressing challenge for employers.

This will lead to employers increasingly focusing on what engages older employees, and how to put in support to help them extend their employment to fill skills gaps. Conversations about retirement routes, decisions to merge pensions pots, taking a lump sum from age 55, income drawdown versus annuities, as well as delaying or taking flexible retirement options will become commonplace. But this won't be limited to the thinking about the over-50s, all ages are already thinking differently about work as they prepare to have longer working lives.

Which is why, in this report, we share real-life, current strategic thinking to help other reward and benefits professionals consider how they can rethink retirement within their organisations.

reba
Reward & Employee Benefits Association
PURSUING BEST PRACTICE

Contributors

Amanda Dini,
International Pensions and Benefits Specialist, Enterprise Operations Lockheed Martin UK

Debi O'Donovan,
Co-founder and Director (Chair), REBA

Emma Douglas,
Managing Director, Workplace, Aviva

Ian Andrews,
EMEA Benefits Manager, Head of Pensions, Xerox

Jamie Davidson,
Vice-President, Reward Chart Industries

Jamie Skelding,
Head of Reward and Benefits, Ocado

Maggie Williams,
Content Consultant, REBA

Maiyuresh Rajah,
Head of Investment Strategies and Propositions, Aviva

Nina Platt,
Head of Reward and Pensions, Belron UK

reba
Reward & Employee Benefits Association
PURSUING BEST PRACTICE

Written by: **Maggie Williams**

Edited by: **Dawn Lewis**

Sub-edited by: **Graeme Osborn**

Designed by: **Stuart Woodward**

About REBA

REBA is the only dedicated professional networking community for reward and benefits practitioners. We help members to pursue best practice, increase professionalism in the industry and prepare for upcoming changes.

Through supplier sourcing, knowledge sharing and networking, we support members in their challenges and triumphs in the reward and benefits sector.

Contact REBA about research:

Aidan Lever, Research & Insights Director: aidan.lever@reba.global

Website: **www.reba.global**

LinkedIn: **Reward & Benefits Association**

>>> Contents

Retirement is changing – and employees need help

Emma Douglas

Managing Director,
Workplace, Aviva

What does 'retirement' mean today for employers and employees? We are seeing major shifts in how employees spend the later parts of our working lives. People are choosing to start new careers in their 50s and beyond, deciding to work flexibly up to and past state pension age, and opting to leave the workplace for a while only to 'unretire' a few years later.

The concept of complete retirement as we once knew it is at odds with a working environment where people have more varied, diverse employment patterns than ever.

As defined contribution (DC) pensions become the dominant form of workplace saving, we are likely to see these new patterns becoming more firmly established. From our mid-50s, we're now free to choose when and how we take our pension savings, even whether to combine pension income with ongoing earnings.

New retirement, new challenges

These shifts are good news for employers at a time when talent shortages are biting. Encouraging longer working lives opens up opportunities for redesigning jobs and structuring roles differently to suit an older workforce and retain vital skills and expertise.

Wider options for flexible working, backed by legislative change, can help older employees remain engaged and productive at work. The findings in this report show some of the innovative ways in which businesses are responding to that.

While the ability to retain older workers is a real positive, it opens up new challenges, especially for supporting people's retirement planning. Giving employees more choice and flexibility in how they use their pensions also introduces new considerations.

Our round table debate reinforced the view that employees are unlikely to think seriously about retirement planning until later in life. And as the recent cost-of-living crisis has shown, financial wellbeing requires more than just pensions. Rebuilding financial safety nets and keeping up with financial commitments are likely to be higher on employees' short and medium-term list of priorities than the long-term notion of retirement.

In Aviva's *Working Lives Report 2023*, almost three-quarters (72%) of those asked said that the cost-of-living crisis had made them more anxious about their finances.

Currently, for many people, each new job that they take on will create another, different pension pot. That means employees may need help to see the big picture of their pension savings and assess whether they have saved enough for a comfortable, or even moderate, standard of living.

Redefining the pensions relationship

We are seeing the connection between the workplace and DC pension contributions change as more businesses outsource their pension commitments to a third party, whether that's a master trust or a group personal pension, to benefit from their expertise and engagement tooling.

While employers may have moved away from running schemes themselves, pension contributions remain a significant investment. Ensuring pension arrangements continue to provide employers with a return on this investment and a workplace benefit that employees find valuable are priorities for all of the employers who took part in this round table.

The findings from this debate make insightful reading for all reward and benefits professionals. Supporting an older workforce, enabling them to work for longer, and helping them through the maze of financial options available at retirement is a growing priority for every workplace.

Part 1: Emerging retirement patterns

Employers are looking for ways to keep older employees, and their skills, in their businesses for longer

An ageing workforce means employers want to retain older workers with valuable skills, but recognise employees may not want to continue in the same roles or work patterns as they age.

Blending access to pensions with flexible working patterns and building a culture that is supportive of innovative ways of working are both ways that businesses are addressing this issue.

Reskilling helps to retain older workers

→ Enabling people to move into different roles as they age helps to retain skills and offer new opportunities. However, this has to be done sensitively, as many employees link self-worth with their status and job role. Starting reskilling conversations earlier and making reskilling part of corporate culture will help.

"Reskilling is an option for our over-55s, but it can also apply to younger people. We need to look at reskilling earlier, have wider career paths and help employees know they have the opportunity to change in the future."

"We'd like to present reskilling as an option to employees as part of a long-term plan. They need time to think about it, and know that there are worthwhile alternatives available to them without losing self-worth. The challenge is thinking about the right point in time to do that."

"We have a manually based, but highly skilled workforce. They don't want to change what they do, and it is a difficult conversation to have about moving to a new or different role."

"We need to ask how we can do things differently – for example, there are organisations offering apprenticeships for the over-50s. Or, the idea of part-retirement – so you can step back a bit, but you are still part of the workforce."

"Some jobs don't exist yet, so we need to look at new skills for the future and prepare for something that is as yet undefined. It is gradual. There is a strong business case for workforce resilience, i.e. a wider skill set equals wider opportunities and deployment. If you are multi-skilled, you can do different things."

Nina Platt,
Head of Reward and Pensions, Belron

"We have older colleagues who are doing physically demanding technician roles – and we see a pattern of exhaustion emerging. We've explored breaking down physically demanding roles so that, for example, two or three people could carry out different parts of a process. This makes jobs more manageable, means we can keep people in the workforce longer, and also improves efficiency for the business. Senior leaders are driving this change."

Workplace culture and working practices are changing to give greater flexibility

➔ Flexible working has become an everyday part of working life for some organisations. For older employees, this flexibility has particular resonance as it opens up less physically demanding working practices. However, much is dependent on company culture and acceptance of new working patterns.

"It comes back to company culture and attitude to change in the organisation. If people are remaining at work simply for the money and the board's approach is that everyone must return to the office with little or no flexibility, that is a difficult combination to work with."

"Having more females in senior roles and full time has impact and also helps with the gender pensions gap. More flexibility makes this possible – colleagues can remain working full-time, but not necessarily in an office."

"We're seeing a general steer away from 'retirement' as a word and a concept. Working patterns are changing."

"Although the idea of working flexibly has become more of a norm post-Covid-19, flexible retirement requires a culture shift in businesses, both in terms of board mindset and a new approach to day-to-day working."

Amanda Dini,
International Pensions and Benefits Specialist, Enterprise Operations Lockheed Martin UK

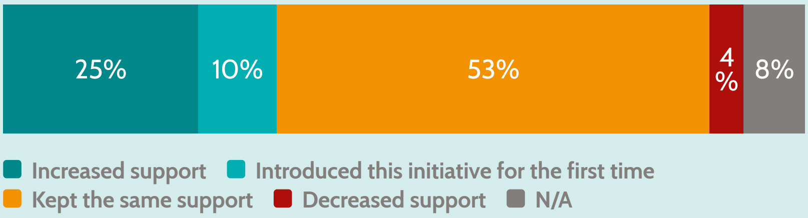
"We have compressed our working weeks to four days, and it is well respected. Having Fridays off helps people to unwind and that flexibility helps when starting to move into retirement."

AVIVA VIEW: Employers are putting more resources into retaining older employees

Aviva's *Working Lives Report 2023* found that 35% of employers are increasing support or introducing initiatives for the first time to help retain older workers. This suggests that employers are becoming increasingly aware of the impact of early retirement on talent, skills and knowledge in their organisation.

Change in support for employee initiatives over the last 12 months

Retaining over 50s employees



Part 2: Managing pension risks

While employees need guidance as they approach retirement, employers are concerned about providing advice that might leave them held liable

The risks inherent in defined contribution (DC) pension saving and retirement planning are beginning to surface as more people retire with DC pots.

For employees, the key risk is uncertainty and worry about whether they can afford to retire, and how they should manage their pension savings.

There is an uncomfortable relationship between helping employees with pension decision-making and concerns over employers being held liable for any advice that they offer.

Employers are beginning to experience a loss of pensions expertise, which is opening up governance risk.

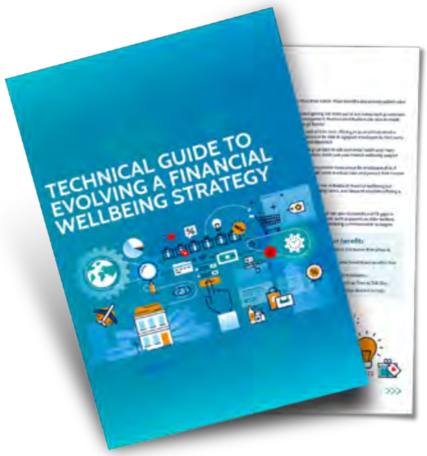
By providing appropriate retirement support, employers can enable employees to retire when the time is right for them. This helps to avoid situations where employees remain the workplace longer than they wish, which may lead to disengagement, low productivity and resentment among colleagues.

Uncertainty is driving retirement worries

➔ Employees now shoulder all the risk of their pension savings and decision-making, but are uncertain how to manage their savings. Current wider concerns such as high inflation are also adding to their worries as they approach retirement

“People have a more uncertain backdrop to their retirement now. There is more risk in having to make choices about how to use pension savings, and that is compounded by current issues such as high inflation.”

“There is now more flexibility around how individuals choose to retire, and no default retirement age. That has positives, but also adds to the uncertainty for some employees.”



Building a financial wellbeing strategy can appear a daunting prospect. REBA’s *Technical Guide: Evolving a Financial Wellbeing Strategy* is designed to help employers with tips and ideas, no matter whether they are starting from scratch or looking to enhance and evolve an existing strategy.

Download your copy.

"The retirement flexibilities of defined contribution compared with defined benefit are not as simple as they sound. People rarely take an interest until it's too late, and then don't understand their DC arrangements."

"People have seen their pots eroded by market shocks and high inflation and are unsure if they are able to afford to retire. There is a lot of confusion."

Support with financial planning is vital, but employers are nervous about advice liability

➔ There are big gaps in employees' pensions knowledge and ability to make decisions about pensions. Financial education and guidance can help to reduce some of these risks, but many employees need advice to back up decision-making – which employers are often loathe to help with.

"Planning for retirement needs to start earlier and be holistic – but it comes back to uncertainty and so much going on in people's lives. There are so many different priorities now, such as mortgage increases and childcare costs. It's tempting for people to take pensions off the page to create some extra income here and now."

"Part of our drive is to improve awareness and education. But, at the moment, we are at base camp in getting people to log in. We need to start education earlier, not just close to retirement."

"The attitude to support for employees is 'we have an EAP' but that is not enough."

"We get calls from colleagues, but we are not qualified to give advice. We signpost people to financial advice, though."

"The big question for us is how we drive wider engagement, but we don't want to give advice, not even signposting to advisers. There is worry about the risk of comeback or reputational damage."

Protecting employees from fraud

Pension scams and fraud are an increasing risk for employees. Employers, pension providers and employees themselves all have a role to play.

"You can give employees facts and things to be aware of. It is almost like safety training or the types of in-house course we might run on financial crime, for example."

"This is a trustee responsibility, as transfers out are assessed by the trustees in our master trust setting. Is it an employer responsibility? We can do awareness training as an employer, but we have formal processes in place through the pension provider to manage fraud."

AVIVA VIEW: Managing value for money

Emma Douglas, Managing Director Workplace, Aviva:

"We are seeing an increase in employers' engagement in their pension arrangements from assessing the value for money they get from their scheme to encouraging employee engagement with the latest tools.

Most employers will have the opportunity to work with their provider to make sure aspects of the scheme such as communications and default investment strategy are right for their workforce and offer value."

Three tips for assessing value for money:

What data does your pension provider share with you, and can this help with wider corporate strategies such as workforce planning?

Is your provider prepared to work with you to make sure aspects of the scheme such as communications and default investment strategy are right for your workforce and offer value?

Are pensions part of your wider financial wellbeing strategy, and does your provider help with this? That could include harmonising communications, or offering financial education beyond pensions.

Governance and pension provider management need improvement

➔ Pensions are a major cost for businesses and holding providers and consultants to account is becoming more important.

DB or single-trust DC pensions were historically managed by a trustee board associated with the employer, but as businesses have moved towards outsourcing DC pensions to master trusts and group personal pensions (GPPs), this rigorous level of governance is becoming less common. Some employers are now looking at improving governance frameworks or creating governance committees to address this.

"We have closed our DB pension and moved to a master trust, but I'd question the support we get from our consultants. We hear member concerns around investment performance – but we don't know how to get an honest viewpoint".

"We moved to a master trust from an in-house trust-based DC scheme. We still need to manage the master trust, though. We have an in-house monitoring team and colleague representation to share expertise in the organisation."

"Our governance board was very important in choosing our master trust and in our move to DC pensions. We also got legal advice as well as help with our strategic requirements. There is a lot of money from the employer going into our pension, and we need to show that we take it seriously."

"At our current company there is no governance and no internal employer involvement. The reason we went to a master trust was to save costs and cut back on consultancy fees, for example."

In-house pensions expertise is being phased out, introducing governance risks

➔ As employers close in-house trust-based schemes, pensions managers are often not being replaced, meaning that organisations lose pensions expertise. However, benefits teams are still expected to manage pensions, often without specialist knowledge.

"Lots of companies are getting rid of pensions experts in favour of more focus on compensation skills, for example. There is then a lack of understanding of pensions, but companies are still responsible for really big schemes."

"We carefully question potential advisors to make sure the additional expertise they bring will complement our own knowledge, and that we get the benefits of advisors' wider pensions experience."

"How do we make sure that pensions are appropriate for our employees, especially those that are on an hourly salary? We have good expertise in house, but we need more focus and capability."

"Master trust might be our focus, but we get a lot of questions from members that we struggle to answer. There is something missing."

Timeline: new plans for pensions legislation

The last year has been a busy time for pensions consultations, reviews and proposed legislation changes. Here are some key current government activities that could affect workplace pensions in the years ahead.

JULY 2023

CONSULTATION LAUNCH: Ending the proliferation of deferred small pension pots

WHAT? A framework to enable a small number of schemes to act as consolidators of small pension pots.

WHEN? Primary legislation is planned 'as Parliamentary time allows'.

WHY? This could give people more clarity over their total pension savings and reduce admin costs for schemes.

CONSULTATION RESPONSE: Helping savers understand their pension choices

WHAT? A decumulation framework to provide support at the point of access for DC pensions, potentially including a Collective Defined Contribution option in retirement.

WHEN? Consultation closes in September 2023, but no timeline for implementation

WHY? This could improve savers' decision-making/better default retirement options and better standard of living in retirement.

CONSULTATION RESPONSE: Value for Money: A framework on metrics, standards and disclosures

WHAT? Response to a joint collaboration between the DWP, The Pensions Regulator and Financial Conduct Authority that explores how value for money is defined and assessed in pensions.

WHEN? The plan is to introduce the framework in phases, starting with workplace default arrangements, but no dates have yet been set.

WHY? To shift focus from cost to value when assessing pension schemes and give a clear, consistent set of criteria for evaluation.

AUGUST 2023

REVIEW: Advice Guidance Boundary Review

WHAT? A joint review by the Financial Conduct Authority and Treasury to help consumers get affordable help and clarifying the boundary between financial advice and guidance.

WHEN? A policy paper is planned for the autumn.

WHY? This is a long-standing issue which has particular resonance for pensions, although the review applies to investments and financial services more broadly.

SEPTEMBER 2023

BILL READING: Pensions (Extension of Automatic Enrolment) (No.2) Bill

WHAT? A Bill to amend the Pensions Act 2008 to reduce the lower age limit for auto-enrolment and remove the Lower Earnings Limit for qualifying earnings.

WHEN? The Bill is progressing through Parliament to committee stage in the House of Lords in September 2023. Implementation is planned for 'mid 2020s'

WHY? Encourages saving from an earlier age and ensures that low-paid workers are able to save.


Part 3: Shifts in retirement decision-making

Most people only look closely at their options as they get near to retirement. And the choices can be overwhelmingly complex

With employees now able to choose when they retire, how they retire and how they manage their DC savings through annuities, drawdown and cash, retirement decision-making has become increasingly complex.

Support with flexibility, along with regular checks on progress towards retirement throughout employees' working lives can help.

Employees need flexibility in retirement decision-making

➔ Few employees have a realistic plan for how they want to spend their pension savings until they are close to retirement. This is inevitable, as individuals' circumstances and motivations change over time. Keeping retirement options open is important.

"Employees often change their minds about what they want to do as they get closer to retirement. We need to work on keeping options open – so that there is lower volatility but still growth."


What are the Retirement Living Standards?

The Pensions and Lifetime Savings Association's Retirement Living Standards are a set of rules of thumb for how much someone needs per year to have a minimum, moderate or comfortable standard of living in retirement.

The standards are based on a basket of goods, including food, transport, leisure, clothing and helping others.

"The answer to many pension questions is 'it depends'. People's circumstances change – for example, they might be made redundant or experience severe ill health. Plans shift, so the answer to the question 'what do you actually need?' changes too."

"If you ask people how much they need to retire, they don't know. The PLSA's Retirement Living Standards (RLS) are useful to help people think about what they want (see boxout). For example, in the minimum RLS category, it assumes someone will have no car. This makes the situation more real when people realise they couldn't cope without their car. It is more tangible."

"People only start to think about whether they have enough when they get closer to retirement. They might get a DB quote, for example, and start to realise what that means for them. But that doesn't take into account any other pension pots that they have elsewhere, so we don't really know how well prepared they are."

Jamie Skelding,
Head of Reward and Benefits, Ocado

"We don't have a defined benefit legacy, which creates more flexibility for employees when they retire. We sometimes find that people retire, but then 'unretire' to do something different and take parts of their pension to support that change."

Employers are unsure how much support to offer at retirement

➔ Like financial advice in general (see page 8), employers see a grey area around how, or if, to offer financial advice to employees when they retire. There is a balance between duty of care and liability risk.

“It is hard to know where the responsibility of the employer lies. With so much uncertainty, it is difficult for people to make choices. As an employer, I would not feel comfortable saying ‘you made your bed, you have to lie in it.’”

“We are doing more to make sure people know they have a range of options. Through our master trust we have access to discounted advice, but that is where we draw the line.”

“We have no advice but lots of education to help people understand their options, but it is not coming from the company. There is a line around advice that employers need to define and not step into grey areas.”

AVIVA VIEW: Financial wellbeing beyond pensions

Maiyuresh Rajah,
Head of Investment Strategies and Propositions, Aviva

We need to break the ‘financial wellbeing equals pensions’ conversation. Employers are asking us as a pension provider to do more – even offering personal insurances and mortgage support as well. This wider perspective on financial wellbeing is becoming more of a factor in choosing a pension partner.

How can we get people to contribute to their pension throughout their working careers, but also be sensitive to the other aspects of their financial lives? Some important considerations for employers include:

Start early: encourage employees to start saving for a pension as early as possible, but recognise that they will also have other financial priorities. If affordable, employees should aim to save at least 12.5% of their salary towards their pension every month. That figure includes employer contributions and tax relief.

Know the goal: employees should aim for a savings pot at least 10 times their annual salary on retirement. As well as contributions and tax relief, helping employees get to grips with the basics of investment helps them appreciate why it’s important to invest money so that savings have the chance to grow in the long term. Encourage employees to picture what their retirement will look like and what they need to do to achieve it. Employees must have access to a high quality investment solution.

Regular reviews: encourage employees of all ages to keep checking on their pension. Annual pension statements are a good starting point to help people catch up at least once a year on their progress. Online tools can also be helpful to make sure employees feel in control of their retirement planning.

Mid-life MOTs

The Department for Work and Pensions introduced a digital Midlife MOT tool in July 2023, to provide a trusted source of information for anyone aged 45 to 65. It helps employees evaluate and plan their work, health and financial future.

As well as this self-help tool, some providers and employers offer a face-to-face mid-life MOT for employees.

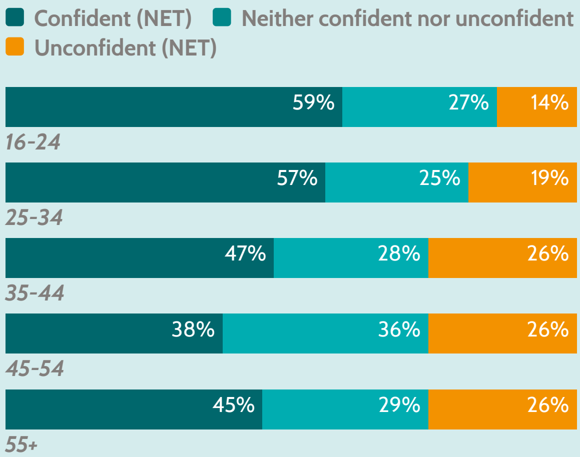
"At mid-life you can still address pensions shortfalls. But there is a risk that you end up with an advice gap – an employer or provider can give generic information, but most people want and need specific, personalised advice."

"Pensions are analogous with other aspects of health and the impetus to make change. You don't think about things until they hit you in the face. The mid-life MOT could help with that."

AVIVA VIEW: Feeling confident about planning for retirement

Employees approaching retirement (over 45) are less confident about having a financially comfortable retirement than younger workers, according to Aviva's *Working Lives: Fit for Future 2023* report. Could this be the point at which they become more engaged with their pension savings and start to realise there are shortfalls? Offering mid-life MOTs (or even earlier check-ins with employees) can help people really understand their retirement prospects and take action.

Confidence planning for a financially comfortable retirement, by age



AVIVA VIEW: How employers can help employees during financially challenging times.

1. Create a psychological safety net where people can talk about money worries without feeling embarrassed.

2. Signpost employees to credible advice, such as third-party organisations and fact sheets.

3. Make it personal and practical, with personalised support for everyone.

4. Offer tailored tools that meet the needs of different employee groups.

5. Talk in plain English to reduce complexity.

Source: Aviva Working Lives: Fit for Future, 2023


Part 4: Changing models for pensions and savings

Methods of saving other than pensions might be appropriate for some employees. But getting engagement can be difficult

Auto-enrolment means all employers must contribute at least a minimum contribution to pensions. But, with employees changing jobs more frequently and facing a range of pressures in their day-to-day lives, could other forms of savings and financial support be more appropriate than higher pension contributions?

Savings guidance may be more effective than offering more products

→ Introducing other forms of savings, such as workplace ISAs, has had muted success. ISAs are still seen by many employees as a retail product, or part of their personal finances rather than a workplace benefit. But even if they are not offering ISAs, employers could help employees understand how to use different types of savings together.

"It's difficult to get employees to take up a workplace ISA, even when they can save automatically through payroll. People say, 'we don't want this linked to our employer, or have the employer know about our savings', even though we couldn't know this from the data we receive from the provider."

"We've found that people will either save into an ISA or a pension, but not both."

"When people move jobs, it can be challenging to disentangle a workplace ISA from their benefits arrangements, especially if they are making contributions through payroll. People see an ISA as a short or medium-term form of savings, so don't want it tied up with a previous employer."

"Employees often say they can get better rates elsewhere rather than committing to a workplace ISA – but there is value in helping employees understand how they can use a pension and an ISA together tax-efficiently."

"Employees are more aware about ISAs and short term savings, so if you add pensions into that mix early, it gets people thinking about them as another form of saving."

Maiyuresh Rajah,
Head of Investment Strategies and Propositions, Aviva

"Research tells us that most people are still unsure about how they're going to access their pensions savings until they are close to retirement. The way we design our default strategies is to allow people to keep their options open as they approach retirement as we feel this is a much better position for people's investments to be in. We also help people manage their money in retirement. They need a guided retirement solution that gives them flexibility, but also reduces the risk of running out of money"

Financial education could help widen savings options

➔ While employers have struggled to encourage uptake of ISAs, helping employees with more varied forms of saving can help them to build financial safety nets or achieve short-term goals.

"Perhaps there is a need for more mixed models of saving – for example, people could label their savings with goals – such as short-term plans like holidays, others for medium term projects and then for retirement."

"If you are aligning savings with what you want in the short and medium term, then there might be more engagement with the longer term too."

"Our challenge is how much support and how many different savings products employers should give. People move jobs every couple of years. Is it asking too much of employers to look at this wider spread of savings?"

Ian Andrews,
EMEA Benefits Manager, Head of Pensions – Xerox

"We get questions about pension transfers. Members struggle with having lots of different pots. But they also worry about the risk of having all of their pension savings with one provider. Often, the underlying funds with different providers are all invested in the same equities, so there isn't that much diversification anyway. Employees could be paying two lots of management fees for the same thing. So, consolidation might make sense and it is easier to see everything in one place."

Employees want more information on consolidation and managing multiple pension pots

➔ As they approach retirement, employees want to understand the full value of their pension savings, which might be held in a series of pension schemes. Finding effective ways of managing multiple pots, or consolidating pensions, is an increasing focus.

"The consolidation decision is a hard one. if you are making projections based on just one company pension, the outlook can seem awful. It would be more to people's benefit overall to consolidate and get a clearer picture."

"When we moved to a master trust we created an FAQ, including details on how to transfer pensions. We gave employees a list of things to think about when considering consolidation, including fees."

"It is hard to find management charges sometimes to help people understand what they are paying for their schemes. These need to be much more transparent."

Behaviour patterns around pensions choices are still work in progress

➔ As DC pensions become the main source of retirement income, providers and employers will better understand how employees are making decisions about how to use their savings and can better support them.

"We don't know what employees are doing in terms of pension freedoms, and we wouldn't want to know. If employees decide on a particular course and their decision is wrong, we don't want people to come back and complain. It's about giving people tools rather than advice."

"Our provider report tells us who is doing what in terms of demographic information and volume of actions. Unless you knew your workforce really well, you couldn't tell who is doing what. We often see a spike in activity around age 55."

"As we get more data from our master trust provider over time, we might look for patterns and see if we need to give more support, or address specific issues."

Jamie Davidson,
XVP Reward,
Chart Industries

We found that people were leaving their pensions invested and wanting to go into drawdown. We've worked with our provider to redesign our default fund to target drawdown – this was an improvement that we felt we could offer."

About Aviva

Aviva is one of the UK's leading insurance, wealth and retirement businesses, with franchises in Ireland and Canada. Our purpose is to be with you today, for a better tomorrow. We exist to be with people when it really matters, throughout their lives.

Pensions for every employer: We provide workplace pension schemes for some of the UK's best-known companies, offering a range of investments and support for over 4 million pension scheme members in more than 26,000 schemes. We have solutions for different sizes and types of businesses, with a range of benefits for employers and their employees.

Support for every employee: Aviva continually innovates to support employees as they plan for retirement. For example, we have been piloting a free online pension tracing and consolidation service with some of our customers. With just a few details, we can track down a lost pension and check for valuable benefits, saving our customers time and effort.

Committed to climate change: Aviva is committed to building a 'climate ready' economy. Pensions have a key role to play in tackling climate change and Aviva has been at the forefront of responsible investment for decades. Aviva enhanced its award-winning My Future Focus investment solution in 2022. Our 2040 Net Zero ambition covers the investment and pension assets it controls, for both new and existing customers.

www.aviva.co.uk/business/workplace-pensions

AVIVA

Contact us

Emma Douglas

Managing Director, Workplace
emma.douglas@aviva.com

Maiyuresh Rajah

Head of Investment Strategies and Propositions
maiyuresh.rajah@aviva.com

www.reba.global

www.aviva.com