

Aon Defined Contribution Scheme Survey 2017

Navigating the future



Getting members on board

In our experience, better communication from trustees and scheme managers could help members make better decisions about their pensions.

Engagement channels should not be guided by the past. Trustees and scheme managers should be led by what is best for their members.



Key discoveries

Written and online communication is the mainstay. Members want to feel valued, with personalised information over a variety of channels. However, with so many trustees and scheme managers unaware of their members' likely outcomes, it is essential that knowledge levels improve.

Only 35% of organisations offer some sort of financial education, while 16% plan to offer it within two years.

Over 70% of schemes offer some form of face-to-face engagement.

1 in 3 schemes offer a cash option for higher earners affected by tax relief restrictions.

Unexpected findings

Most schemes aim to improve engagement, **but over 60%** do not have specific communication goals.

A third of schemes use 10 or more different methods of communicating with members.

Obstacles

'Providing flexibility for different generations'

'Convincing members that now is the time to start planning for their retirements.'

'Getting employer engagement in funding communication for better member education and outcomes.'

Moving forward

Take control of communications.

Put together a programme to engage your members with the decisions they need to make.

Monitor the impact of your communications programme.

Do not just engage members now, think about what communications will **create and maintain conversations.**

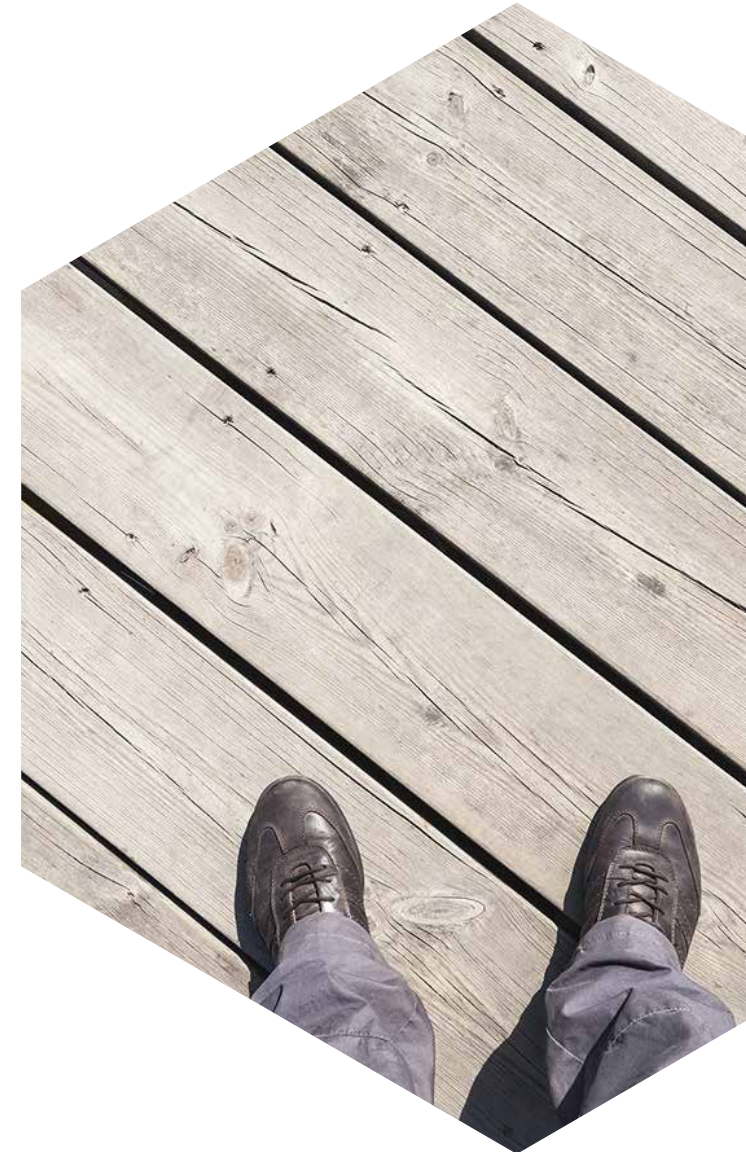


Member engagement – 'Getting members on board'

65% of respondents explicitly selected 'Evidence of increased member engagement' as being one of the objectives in their scheme's business plan. Two-thirds of respondents see better member engagement as being the key to successful pensions in 20 years' time, showing that they see the importance of engaging members to get them on board with the decisions they need to make.

This latter point is key. We know from decades of experience that members generally do not engage broadly with pensions issues. Communication and engagement strategies need to recognise this and focus on the decisions that members need to make at relevant points in the future.

Our 2016 DC Member Survey told us that different members need to be supported in different ways, for example:



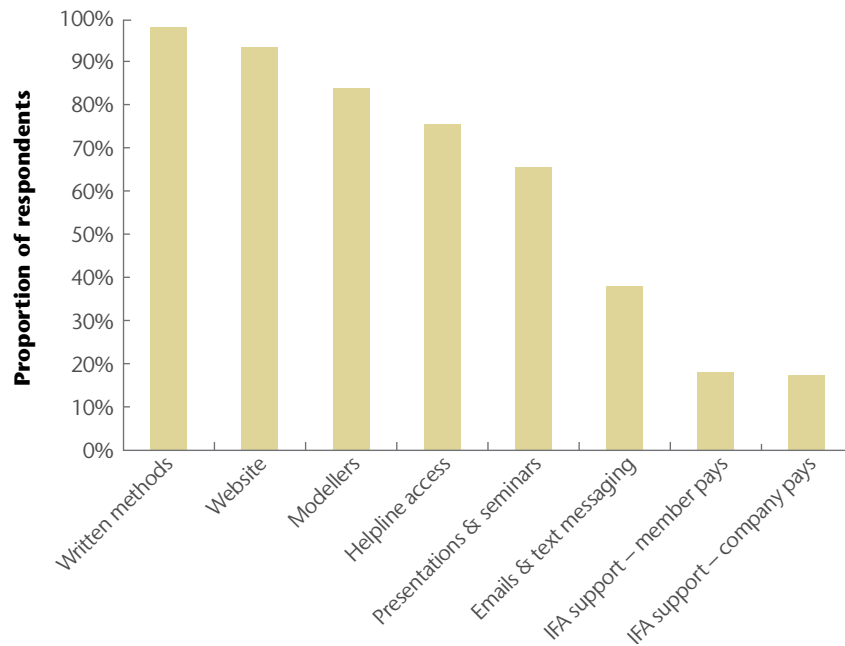


Methods of educating and supporting members

Aon's 2016 DC Member Survey showed that the method of communicating important advice or information should take account of the membership in your scheme and the form of communication they are most likely to engage with.

Fortunately, schemes in our 2017 DC Scheme Survey appear to be using a range of methods when supporting or educating members. In fact, 84% of schemes surveyed were using a combination of at least one written and one online method, and over 70% are using some form of face-to-face engagement. Have you reviewed what methods you use?

Education and support provided to members



Since our last DC Scheme Survey in 2015, most methods used to communicate have increased in popularity, with the exception of email communication. Schemes are using a wider variety of methods than in 2015 – perhaps to address the need to engage members in a way that addresses their diverse needs.

One particularly effective method of aiding members with their decision making is to offer the use of modellers, whether that be savings modellers, at retirement/drawdown modellers, at retirement cash lump sum tax modeller or annuity best-buy tools. These allow members to have a better idea of their specific options, particularly if the modeller allows individuals to input their circumstances, such as their health, to see how this would affect their retirement benefits. Some modellers can also aid members in understanding the risks associated with their fund, which could lead to better decision making.

Indeed, we found that the most significant increase in use came through for modellers, showing that schemes are recognising the positive impact that these can have. In 2015, 54% of respondents provided a savings modeller and/or an at retirement/drawdown modeller. This year, over 80% of respondents are providing members with a modeller to help support their decision making. The key challenge now is how to get members to engage with these tools.

Over
80%
provide a modeller

Over
70%
are using some
form of face-to-face
engagement



Benefit flexibility

The majority of schemes are offering life assurance, ill health, and/or healthcare benefits to their members – either through their DC scheme or elsewhere. Typically, life assurance is provided through the scheme for trust-based schemes but separately for contract-based schemes.

But what is there on offer to members outside of insurance products? Sharesave schemes, ISA products and financial advice and education are currently less common. However, new financial education and ISA products are most likely to be in the pipeline to offer for the first time in the next 12-24 months.

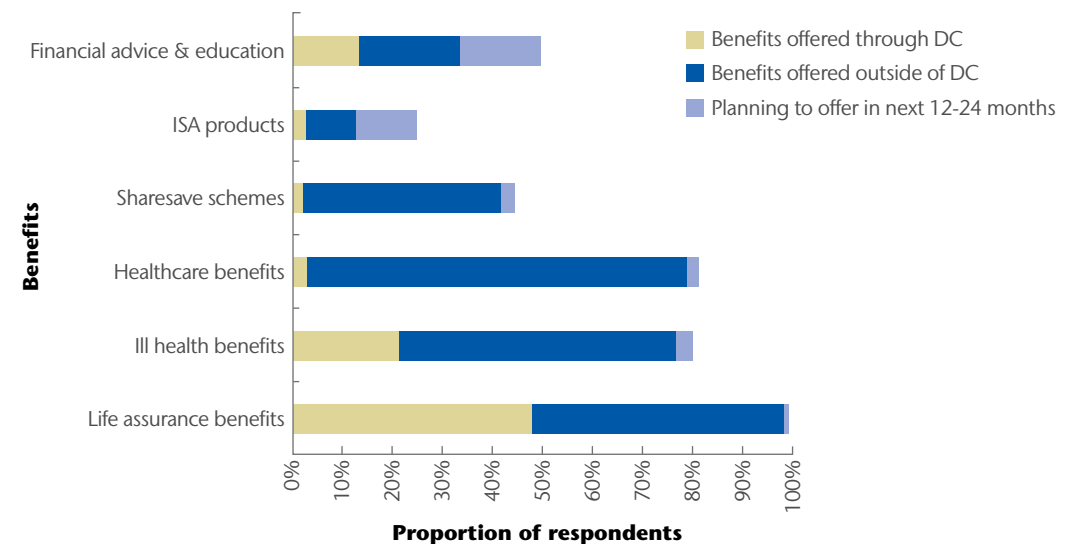
Around 15% of respondents are planning to offer financial advice and education in the next 12-24 months, on top of the third of respondents already providing this. This can be very important for members, especially in light of their reliance on employers for guidance when it comes to their savings and choices.

Offering members a flexible benefits package where they can pick and choose different benefits from a menu of options can be a great way to provide them with the flexibility they may require. For example, a young member with no dependents may appreciate having the option of a sharesave scheme rather than automatically having life assurance benefits. Being able to swap one option for

another will help members achieve a targeted benefit package which they value more highly than a standardised arrangement. Learn more about [managing flex benefits plans](#).

We have recognised the wider savings trend and our DC solutions, Bigblue Touch and The Aon MasterTrust, both include key items of member education and access to an ISA and/or General Investment Account.

Employee benefits provided now and in the future



35%

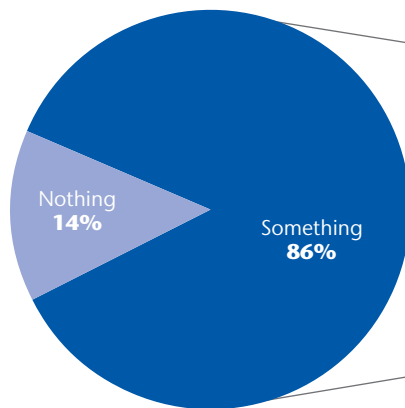
of respondents
already offer financial
advice and education



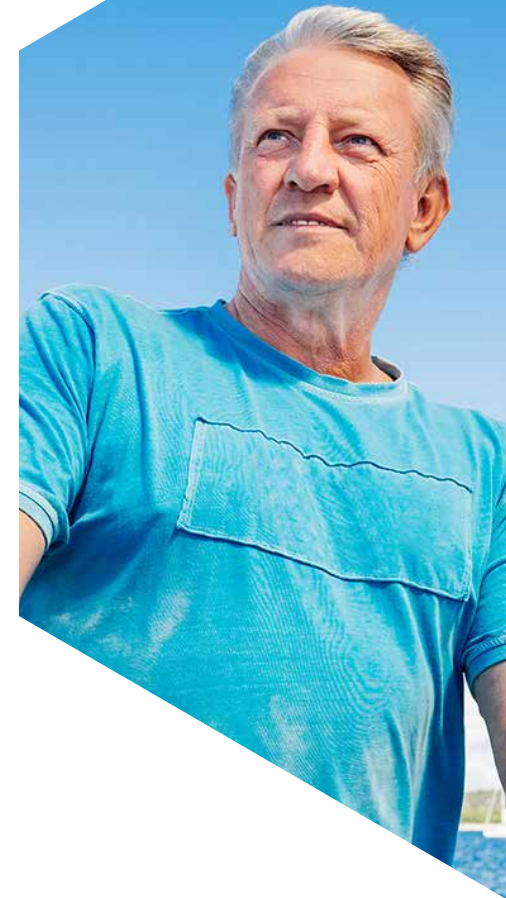
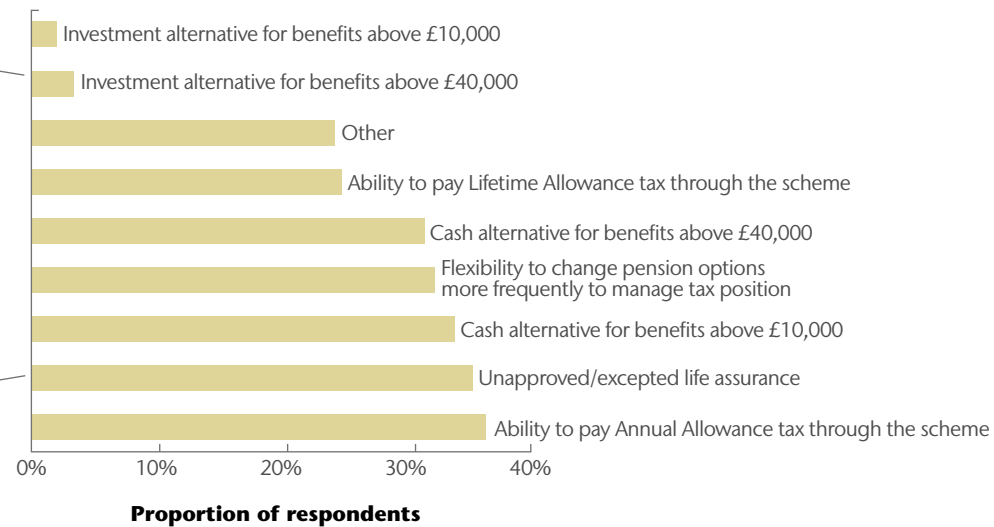
Higher earner benefits

Our 2016 DC Member Survey highlighted that there were often large differences between lower and higher earners in their approaches to saving, their needs, and their dependency on their employer.

This reinforces the importance of segmenting membership – in this case by earnings – and looking to ensure that the support and benefits provided meet their needs. For higher earners, the respondents agree that different types of members have different benefit needs, with almost 90% of respondents offering some kind of extra option to higher earners.



Options offered to higher earners



To discuss the findings of this report further, or to understand more about how Aon's complete range of DC services can support you in delivering your scheme's goals, contact us:

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