

Support wanted

✓ Lynda Whitney asks whether DC pension schemes are really giving members what they want

To achieve better member outcomes, defined contribution (DC) schemes need to support members both while they are saving and at the point that they want to start taking their pension.

Members listen

Members want to be guided by their employer on their approach to pension saving. A key to this is getting the defaults right.

In our *Aon DC Scheme Survey 2017*, we found that more DC schemes had reviewed their default investment option in the past three years than when we last surveyed schemes in 2015 – a step in the right direction.

The minimum level of default contributions under auto-enrolment is set to increase, with many respondents worried that this could lead to a rise in member opt-out rates. However, by following the (now Nobel Prize-winning) ‘Nudge’ strategy, you can aim to avoid this by re-thinking your approach to education and communication.

It is important to regularly review your approach at the points where members expect to be guided on their journey to retirement. This should ensure the scheme design and communications continue to remain appropriate.

Members want options – but not too many!

Post-pensions freedoms, members want to make use of the increased flexibilities for DC pensions. However, a large proportion of members still default. So while members appreciate options – they do not need too many.

In our survey we found that around half of schemes now have three lifestyle options targeting annuity, drawdown or cash at retirement, acknowledging that members may be targeting something other than an annuity. But two-thirds of plans do not have a preferred drawdown option in place, with the risk that members may be left without guidance at one of the most difficult points in the DC pensions journey.

Worryingly, over 25 per cent of plans still have only one lifestyle option available. This means that members who take their benefits in a different way are exposed to asset mismatch risk.

Members want support

In our survey, we found that a third of schemes use 10 or more different methods of communication with members, with an increase in the number of online savings modellers compared to previous years. In addition, 35 per cent of organisations offer some sort of financial education or advice, while 15 per cent plan to offer this in the next two years.

When considering communication strategies, they should be tailored to the membership in your scheme and the type of communication they are most likely to engage with.

So to answer the question: are DC pension schemes giving members what they want?

Overall, we believe that schemes are typically providing reasonable support while members are saving. But many need to do more to provide members with the support they expect when they want to start to take their money.

For more details of the *Aon DC Scheme Survey 2017*, visit aonhewitt.co.uk/dcpensions



Written by Aon Hewitt partner Lynda Whitney

In association with



60% follow their employers lead when choosing where to save

43% say they do whatever their employer puts in place when asked about their approach to pension saving

62% will rely on their company pension financially

2/3 of members want steady income in retirement through buying an annuity or via drawdown

52% of members value flexibility and the ability to change their mind

85% of members are using the default investment option

1 in 5 people expect their pension scheme to be their main source of guidance

Millennials are less likely to be willing to pay for advice

23% of 55 to 64 year olds still do not know what they will do with their DC funds