PASA Call for Input Response

TPR & FCA Call For Input: Pensions Consumer Journey

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Acknowledgments

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1. About PASA

The Pensions Administration Standards Association (PASA) was created to provide an independent infrastructure to set, develop, guide and assess administration standards and raise the profile, development and perceived value of pensions administration, a previously undervalued sector of the pensions industry.

PASA acts as a focal point and engages with the industry and government to create protocols for understanding good administration - but also appreciates there's no one size fits all. PASA develops evidential accreditation practices which allows benchmarking across and between the industry regardless of how the administration is being delivered.

As well as raising the standard and profile of pension administration generally, PASA focuses on three core activities.

1. Defining good standards of pensions administration relevant to all providers, whether in-house, third party or insurers
2. Publishing Guidance to support those standards
3. Being an independent accreditation body, assessing the achievement of good standards by schemes (regardless of provider)

PASA is the only organisation providing such services across schemes, yet there's a demand for evidence of service quality from scheme trustees, sponsors, administrators, insurers, scheme members and regulators.

About PASA Accreditation

PASA Accreditation is open to all corporate members of PASA providing administration services (DB, DC, trust-based and contract-based schemes).

PASA Accreditation is granted following an independent evaluation and assessment process, which includes on-site visits and the review of documentation to evidence controls, procedures, process, staff development and contractual positions with clients.

Full details on PASA can be found by visiting www.pasa-uk.com

2. Introduction

PASA is pleased to provide our response to this Call for Input (CfI) focusing on the pensions consumer journey. Our response highlights three key points we believe should have greater consideration; these are:

1. Personalising the consumer communications and journey
2. Creating a frictionless 'hassle' free experience
3. Reviewing the language, terminology and length of the communications used

We believe a focus on these points will lead to an enhanced consumer journey, experience and may support consumer engagement.

It's worth noting the consumer journey as it stands today, is likely to be very different in five or ten years. We believe the ongoing work investigating the small pots issue and the development of Pensions Dashboards, could significantly change the consumer journey and how consumers interact with their pensions.

Whether it be through legislation or naturally through consumer behaviour, as pension information becomes more accessible online and more consumers look to their multiple DC savings pots as their main source of pension income in later life, it's likely to result in increasing pot consolidation volumes.

As a result, we ask FCA and TPR to consider completing another CfI focusing on the consumer pension journey within 12-24 months after the implementation of Pensions Dashboards and following any legislative changes concerning small pots.

3. Consultation questions and responses

Q1: Is this understanding of the consumer journey an appropriate foundation for regulatory policy making? If not, what other elements of the journey should we be considering and how might the changing nature of retirement and working patterns in the future shape the support required?

We agree with the main stages of the pension consumer journey as outlined within the CfI (starting up, accumulating, approaching retirement, accessing pension and decumulation). We ask for further consideration to be given to the staging labels. We acknowledge most responses will likely be from within the pensions sector. However, we would like to encourage the use of more simple, everyday language and less pension specific terminology. Our initial thoughts are:

- **'Pension set up' stage** – would be clearer than ***'Starting up a pension'*** stage
- **'Pension growth' stage** – We acknowledge 'Accumulating' is a widely used term. However, we believe in day to day life, accumulating can be associated with hoarding or gathering, which can have both positive

and negative connotations. We suggest ***'pension growth'*** stage is more relatable and more positive sounding

- **'Approaching pension access' stage** - Many consumers access their pension ahead of retirement or reducing working hours, so we suggest amending the name of the ***'approaching retirement'*** stage
- **'Initial pension access' stage** – We believe this is as clear as **'accessing a pension'**
- **'Pension access' stage** – We don't feel ***'decumulation'*** is a term widely used outside of the pensions sector. With this in mind, we suggest the ***'pension income'*** stage

These stages could be considered a good foundation for future policy making. Since the introduction of auto-enrolment and pension freedoms, we believe future policy making must give greater thought to the individuality of each consumers pensions accumulation and decumulation journeys. With this in mind, we believe further consideration could be given to consumer behaviour linked to life events such as changing jobs, changes in marital status, having dependents and changes in work pattern rather than working to 'target' dates. We believe it's these life events which act as a core driving force behind consumer engagement rather than birthdays or set communications.

Q2: Have we identified the correct overarching harms in the consumer journey? If not, what others are there?

In addition to the overarching harms listed within the CfI (struggle to make decisions which optimise pension savings, remain in badly-performing products and are susceptible to scams), we believe consumers aren't provided with sufficient simple, easy to understand information on their options, tax benefits, fees and pension performance.

The complexity and length of some pension materials and communications may be having adverse effects, resulting in consumers being 'put off' and disengaging from the process.

This point also links into the identified 'susceptible to scams' overarching harm. The complexity of the communications being used may lead to some consumers struggling to distinguish what is misinformation and what is 'true' information.

Q3: Have we identified the main behavioural biases which influence saver engagement with pensions? If not, what others are there?

We wish to briefly expand on 'Short-termism' mentioned within the CfI. Understandably, a lot of people struggle with consistency of interest with long-term savings and long-term savings goals. We suggest more customised/personalised communications may help. Doing this could support consumers to feel more connected to their pensions, potentially leading to more interim 'goal setting', such as – 'I wish to have £XX,XXX in my pension by the time I am 30, 40, 50, etc'. We believe this bite-sized approach is more likely to encourage longer-term engagement as opposed to the mindset of attempting to hit a potentially arbitrary target in the distant future.

In addition to the main biases listed (short-termism, risk aversion, a lack of confidence or overconfidence in financial matters), we believe there are potentially three additional behavioural biases for consideration.

Information-processing bias

Information-processing bias due to complex documents with too much pension jargon and legal terminology prevents consumers from engaging with their pensions. Pension communications aren't personalised and don't take the person's individual situation into account. They can therefore feel very generic and not targeted to the specific person.

Lack of pension knowledge and the perception of pensions

We believe there's too much 'assumed' pension knowledge. When most consumers hear the word 'pension', they think of the desired outcome – retirement and the usual imagery which goes with it. However, very few people think about their actual pension, this is partly due to a general lack of understanding surrounding pensions/retirement savings.

We believe some people are turned off by pensions and as a result, we would like the benefits of a pension to be clear for all to see. A pension has the potential to be one of the most valuable assets a person could own (including in some cases an individual's house, which many people will spend 25 years and use a third of their income to pay the mortgage on). A pension's ultimate purpose may be to provide income in later life. However, it can offer so many more benefits, including supporting behavioural saving habits throughout an individual's life.

Pensions could benefit from demasking. Selecting an appropriate pension and suitable contributions amount shouldn't be viewed as a dark art or require the consumer to speak 'pensions language'. Pensions should be transparent, honest and help support consumers to reach their end goal. A good example of is the term 'minimum contribution amount'. There are a large number of people who believe the minimum contribution amount will translate to a comfortable retirement. However, how often is this misconception explained to consumers? This is an area where wide adoption of the PLSA's Retirement Living Standards or a version of it, could support consumers.

Through more personalised communications written in plain English, the understanding gap between the pension sector and pension consumers can be narrowed, this will ultimately help more consumers reach their bespoke pension and ultimately pension income ambitions.

Ease of access and accessing information

It should be simple to set up a pension. The 'onboarding' process should be as streamlined and as 'frictionless' as possible. There are some fantastic examples of quick and easy 'onboarding' processes within the banking sector, (e.g. Monzo and Starling).

It should be equally as easy to access pension information. In recent years, we've seen a rise in online access solutions. Although this is a fantastic offering for some, it's important to ensure multi-channel communications remain available as online access is not suitable for all consumers.

While PASA is working hard to improve administration standards, some of these consumers face a number of challenges, including:

- call wait times of between 30 – 50 minutes
- being told it will take XX days for pension information to be sent in the post
- being told information can only be sent via post

There must be a minimal number of perceived barriers in place for consumers wishing to engage with their pension and it shouldn't be a challenge to receive the relevant information. Any perception of 'too much hassle' will ultimately lead to behavioural bias.

Q4: Have we identified the right structural issues impacting pensions and do others also have a material impact? How can the pension consumer journey be improved to address poor outcomes caused by structural issues?

No comments.

Q5: Are there other barriers to engagement that we have not identified? Are there solutions to the barriers to engagement that regulators, industry or others should consider?

One of the barriers mentioned within the CfI is a 'low understanding of pensions'. This is a key barrier which branches into other subpoints including, a lack of interest in pensions and a general lack of financial education.
We've suggested three further potential engagement barriers below for consideration.

Communications, including the language and terminology used

Many people disengage as a result of the communications they receive. The size (how many pages), word count, language and perceived complexity can all reduce the chances of future engagement.

Ease of engagement access

Consumers shouldn't be restricted to only one or two contact methods. Post-Covid, there's now a greater focus on online services, but multiple contact options such as post, phone, email, online chat and text-based services there should continue.

Another point for consideration is response wait times. Current and realistic SLAs should be provided to consumers to set expectations, this level of transparency will also help build trust. However, consumers don't expect to wait longer than 10 or 15 minutes on the phone before being answered or, wait longer than a week to receive a response to a written request.

A lack of personalisation

Every consumer is on a unique journey and the lack of personalisation is a major barrier to engagement. The more 'generic' a communication feels, the less relevant it feels to the individual.

Q6: What data do you use to monitor and improve engagement by different cohorts of consumers? How can we encourage the pensions industry to use behavioural insights and biases to engage consumers?

Some examples of the data being monitored to help improve engagement are:

- General engagement data analytics, broken down into the cohorts split by gender, age, marital status, pension pot size/salary band, length of service
- Activity analysis following announcements or member communications
- Member portal engagement – tracking which areas of the portal get the most traction, how long consumers spend on the page and how they navigate
- Analysis of frequently asked questions to help drive improvements in communications

Some opportunities to use behavioural insights and biases to engage include:

- Combining pension information with other financial planning tools which will assist the consumer with planning for retirement
- Leveraging open banking and analysing spending trends can help inform future patterns and how this may impact the consumer
- Nudging consumers to take small actions to benefit their future financial health (e.g. encouraging consumers to increase their regular contributions by a small amount, demonstrating potential impact at retirement)

Q7: What lessons from other industries could the pensions market use to drive the use of technology as an engagement tool and what would stakeholders find useful for regulators to do to facilitate innovation, for example creating a panel or additional TechSprints?

The use and application of available technology in the pensions sector is regrettably behind other sectors including retail and other customer-facing sectors.

We believe the two main reasons for this are:

1. The focus isn't on the consumer experience/member journey
2. The architecture of many legacy pensions administration systems doesn't lend itself to delivering a modern retail experience

TPR could impartially encourage technology solutions to be used to address specific issues by regularly offering a TPR (or joint FCA & TPR) 'sandbox'. The FCA's more regular 'sandbox' approach has allowed individuals involved in building a solution to receive direct feedback from the FCA on new ideas and concepts.

Making it easy for technology providers to access and engage with the Regulators could speed up and encourage development. Key areas to address include:

- Making it easy to access online services. Online identity verification solutions have transformed access to financial services
- Commercial dashboards will likely move from an information-only offering to a much larger offering which could provide a more holistic view of someone's finances (not just pensions) and allow transfers and transactions to take place
- Consider each individual's journey and their life stage. Ensure relevant communications, content & tools are being offered to the right people at the right time, rather than a one size fits all approach
- Automated savings apps are gaining popularity in the banking sector. A similar application in the pensions sector could allow consumers to make small, automated contributions to their pensions, without impacting their overall financial health

Greater use of technology would make pensions more tangible to consumers and as a result help drive meaningful engagement.

Q8: What guidance and support do employers need when picking a workplace pension for their employees and is more required?

The guidance will depend on what current pension provision is in place and what the employer and their advisers are trying to achieve.

All employers should focus not only on the financial and technical aspects of putting a provider in place but also more broadly about whether it's the right choice for their people. This isn't just about value for money, we think providers should see personalising communications and creating a frictionless experience for people as part of what employers will scrutinise when picking a provider. Transparency on costs and charges and fund selection should be provided. Guidance should therefore support employers to probe these areas.

Where the choice of scheme isn't being adviser led, the employer should ask:

- How good is the administration provision of the provider?
- Do they have many complaints or expressions of dissatisfaction? Are their employees going to be well looked after?
- Does the provider offer value for money?
- Does the provider hold any industry accreditations?
- Does the provider provide things like a member portal and app?
- Are they likely to be accepted by the provider?
    - An overseas employer without a UK bank account who cannot pay contributions by direct debit may struggle to find a Master Trust willing to accept them
    - Charges

        - Set up costs – paid by the Employer
        - AMC – paid by the individual
    - Contribution rates and due dates
    - Data format
- One of the biggest challenges with Master Trusts is getting quality data from payroll. Can the Employer meet the requirements?

Q9: What help do employers and firms need to be able to give appropriate support to members and how can we encourage employers to share appropriate Money and Pension Service guidance?

Some employers are likely to want some support on the different options and services available. Much like consumers when approaching the pension income stage of their journey, consumers are more likely to select an option being offered by the scheme (following the path of least resistance), employers are likely to only consider options being offered by the provider or scheme. They might only be offered paper-based communications such as:

- Scheme booklets containing information about their scheme and highlighting some of the benefits
- Recent investment performance and cost information
- A booklet on where they can get independent advice such as MaPS/Money Helper

However, there are other solutions available such as:

- Retirement planning tools
- Educational videos
- Mobile applications
- Seminars/webinars

One key advantage to online based offerings is the ability to track the user experience, allowing the provider to collect additional data and findings to provide more tailored communications moving forward.

Employers could benefit from a guide on the factors they should compare between the services being offered.

Q10: Are there areas of regulatory overlap between TPR and FCA causing problems for the consumer journey? If so, what would mitigate these?

The 'at retirement' and/or decumulation (broadly speaking, the more 'retail' end) of the consumer journey, is the most likely area where some overlap could occur.

As we've noted elsewhere within this response. We believe the FCA sandbox is a proven and invaluable environment for potential solutions to receive regulatory comments and feedback. Should TPR be able to offer something similar on a regular basis, it would support any potential future innovation within the consumer journey.

PASA

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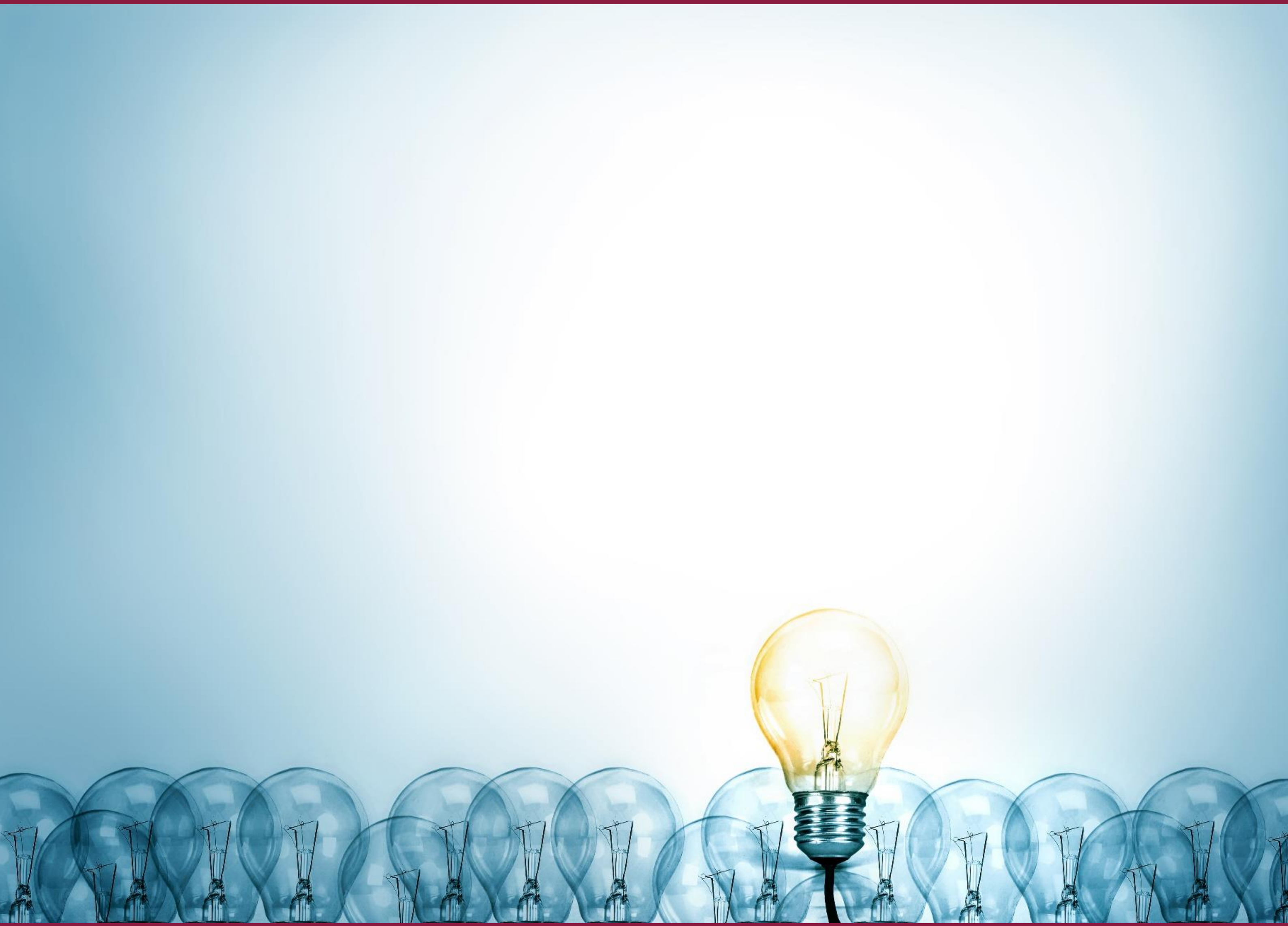

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PASA is a Community Interest Company and our full name is Pensions Administration Standards Association CIC.

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