

# Protecting DB pensions



# Why engagement is the best form of defence

There are still over 5 million DB members who aren't being paid their pension yet and around £1 trillion of assets held to back their benefits. That's a lot of people and a lot of money. How well equipped are those people to decide what to do with that money, now that they have more options available to them and are maybe faced with choices they never expected to make?

In our survey of DB members aged 55+...\*

**Over 1/3** approaching or in retirement don't feel knowledgeable about their DB pension arrangement.

**Only 27%** are 'very confident' when it comes to making decisions about retirement – one of the biggest financial decisions of their lives.

This combination of large sums of money (transfer values remain close to all-time highs) and a lack of knowledge and confidence makes the DB market highly attractive to scammers.

When you add to that the impact of COVID-19 and some people potentially needing to access money quickly – DB savings could find themselves firmly in the firing line.

As a result, trustees and sponsors need to review how well equipped their DB engagement and support strategy is to protect members' best interests.

## COVID-19 and the rise of scamming

There's no doubt that the pandemic intensified scamming activity. With the country in lockdown and people isolated at home, reliant on technology to remain connected, fraudsters took the opportunity to take advantage of both financial and technological naivety.

- In the first half of 2020, financial frauds in the UK increased by two-thirds, suggesting that criminals were only too ready to exploit coronavirus worries (Financial Times, August 2020)
- According to figures released by Canada Life (FT Adviser, May 2020), one in five financial fraud victims had been targeted by a pension scam amid an increase in scammers purporting to offer free pension reviews.

\* Hymans Robertson survey  
\*\* like minds survey

## DB members – a vulnerable group?

Maybe the DB demographic is more susceptible to fraud than we thought, too.

In their research into scams, the FCA and The Pensions Regulator found that the average victim of pension fraud is male, aged 50+, unsurprisingly in line with most of the DB demographic.

Their findings also suggested that in one key regard, a belief in our ability to see a scammer coming, rather than a lack of confidence, over-confidence could be the issue. Nearly two thirds (65%) said that they would be confident in spotting a scam but 4 in 10 (39%) would put themselves at risk unknowingly by engaging with a common scam tactic such as being told it's a time-limited offer, or that there is a guaranteed high return on their savings.

While the DB demographic may suffer from over-confidence in their ability to spot a scam, they're also the group that are feeling greater levels of anxiety as a result of COVID-19.

In our November 2020 survey of 1,000 employees in the UK\*\*:

**4% of people aged 55+**

vs

**41% of 18-34-year-olds**

said that they felt more financially secure now than they did prior to lockdown.

When it comes to wellbeing and happiness, over 55s have been more affected by the pandemic too.

**51% of those over 55**

vs

**39% of 18-34-year-olds**

said that lockdown had a negative effect on their mental health.

This could be a scammer's ideal scenario – their core target market uncertain about their financial future, anxious about the impact of the pandemic on their lives but possibly overly confident that they could spot a scam if they encountered one.

\* Hymans Robertson survey

\*\* like minds survey

## Digital deficit

COVID-19 has changed the way we consume media too. While the impact of online videos, video games, online TV and live streaming has been most marked for younger generations, the Baby Boomers who make up much of the DB target audience have moved online too.

COVID-19 has sharpened the appetite for accessing DB pension information online, **with 26%\* of DB members saying that they are more comfortable with the thought of engaging with their DB pension online now than they were before the pandemic.**

But many DB pension schemes are still stuck in the digital dark ages, particularly when compared to the developments we've seen in the DC world over recent years.

For example, a significant majority of members approaching or in retirement regularly engage with technology for other key financial and lifestyle decisions.

According to our survey\*\*:

**83%**  
use online banking

but

**only 1/3** can  
access their DB  
benefits online.

While occupational DB pension schemes are behind the curve, external pension providers and technology led pension pot consolidators continue to innovate. The lack of proactive engagement and education by occupational schemes could lead to DB members being swept along by a tide of digital innovation to a poorer retirement outcome.



## And it's not just digital...

So how well equipped are DB plans to support and guide members through some very difficult decisions that they never expected to make in the first place? The answer, according to our survey\*\*, is not very well equipped at all.

Only  
1/3

of respondents (36%) have guidance on what options are available to them (47% would welcome more support on this).

Only  
30%

have guidance on the process, steps and timing involved in taking their benefits (41% would welcome more support on this).

Only  
21%

have guidance on what options could be most suitable for them (45% would welcome more support on this).

The truth is that a lot of DB communication (and we use that word advisedly rather than engagement) has been driven by a requirement to communicate rather than the communications actually being driven by member needs.

Prevention is always better than cure. Proactively helping members understand what they have, its value and embedding support and guidance into the engagement process will protect members better if targeted by a fraudster.

## What DB plans need to do

The Pensions Regulator's invitation to the industry to step up to this challenge by signing up to their "pledge to combat pension scams" is a helpful reminder that we should be doing more to equip DB members to navigate these choppy waters.

The landscape has changed, and COVID-19 has accelerated the need to invest in member engagement and support. Done well, this helps not only members but also trustees, supporting any de-risking plans you might have but done in a way that puts members' interest at the centre of everything you're doing.

Helping members understand where and when they might need extra support, building confidence in their decision-making and maybe alerting them to where they may be slightly over-confident in their ability to spot a potential fraud should all be built into what "business as usual" DB engagement is all about.

That means a sustained programme of engagement, with both paper and digital touchpoints, that's member-centric in its approach. The starting point is, "what do members need" not "what do I have to tell them."

## Your engagement and support checklist

If you haven't done the following, we can help:

- 1 Developed a well-articulated engagement strategy setting out your communication philosophy and principles
- 2 Defined who your membership is, using data points and personas and understood their concerns and aspirations (i.e. 'What do my members need?')
- 3 Developed a member options strategy (i.e. how much choice to provide and when to provide it) that aligns with your engagement strategy
- 4 Considered appointing a specialist DB financial adviser to support members and integrated advice and guidance sessions into the engagement programme
- 5 Considered the entirety of the DB member experience, mapped out the member journey and worked out how you can best support members along that journey
- 6 Created and delivered a coherent and ongoing communication programme using a range of different media but focusing on digital delivery

\* Hymans Robertson survey

\*\* like minds survey



### Contact us

Please get in touch if you would like to discuss how we can help you develop and deliver a better and safer experience for your members.

You can contact us below:



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