

# How do you measure up?

For professional clients only



SECTION 5

# Calibrate your comms

We need to  
talk about  
pension plans  
and financial  
wellbeing

# Target-setting for retirement

37% of employees believe that the Government's minimum automatic-enrolment contributions rate is the recommended amount to save for retirement\*.

This shows that more needs to be done to help employees understand how much they need to save. This is backed by the results from Aon's 2018 DC member survey – 'Living the Dream?' – which showed that around two-thirds of employees rely on their employer when deciding how much to save towards their retirement, and that more than half have not set a target for how much to save before they can fully retire.

Both employers and trustees of pension schemes need to focus their attention on encouraging employees not just to save more, but to save at adequate levels for the standard of retirement they desire.

Increasingly, it is being recognised that pension saving is not something that individuals consider in isolation, but as part of their wider financial situation. Leading DC plans are working with sponsoring employers to support members with their overall financial and wider wellbeing.

\* Source: Pensions and Lifetime Savings Association employee survey September 2019

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## 1 in 3

schemes communicate targets to encourage employees to save at an appropriate level

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## Around 30%

Creating a **financial plan** and **saving outside of pensions** are the main areas where schemes plan to expand

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## 50%

of schemes do not measure members' engagement with retirement and financial programmes and only 25% measure on a regular basis

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# Q. What methods do you use to encourage employees to save at appropriate levels for retirement?

The most popular method used by those running schemes to encourage members to save more is the use of plan design anchors, such as matching contribution rates. Research carried out by Age UK\* in 2014 showed that the impact of introducing matching contribution rates varies across income levels, with those on lower incomes the most difficult to target to increase contributions, even when there are higher rewards on offer. This research suggests that relying on plan design alone will not ensure that members are on track to maintain their standard of living in retirement.

Around a third of those running schemes communicate one or more targets to their employees to help them retire at a comfortable level. This covers those who provide target contribution rates, target fund values and target retirement income levels. These can be used as part of regular communications, member presentations or online tools that members can access.

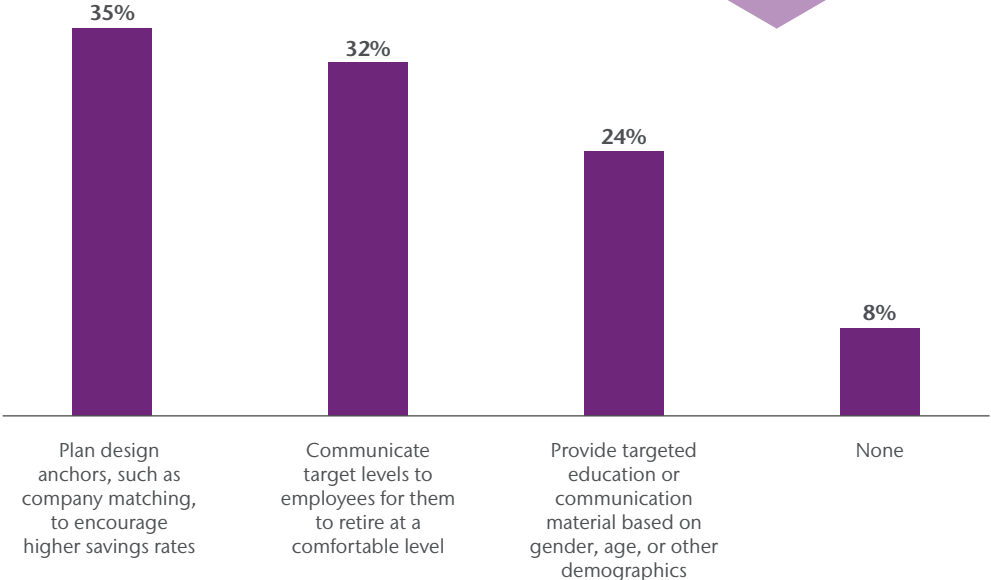
We are starting to see some schemes implement the auto-escalation of contributions. This could either be as a choice for members or as a default position. The phased introduction of contribution levels for auto-enrolment and subsequent low level of opt-outs following the increases has shown that this is an effective way to achieve higher contributions into DC schemes.



## Jargon buster

Auto-escalation is the automatic increasing of contribution levels on a regular basis.

“ Our biggest challenge is: I want to deliver value for money from a company perspective ”



\* Source: 'Building an income for retirement: approaches to encourage more pension savings' a discussion paper by Age UK, September 2014

The use of targets to help engage employees is consistent with the message behind the PLSA/ Loughborough University Retirement Living Standards, recently launched by the Pensions and Lifetime Savings Association (PLSA). These are designed to help people consider the standard of living they want in retirement and understand how much it would cost them to attain this. The PLSA says that 70% think that retirement income targets would encourage them to save more so they can achieve their ultimate target.

What else can those running schemes do to encourage members to save more? Aon's research shows that approximately a quarter use targeted communications or education material based on member demographics as a method of encouragement. Using demographics to target communications is just one option, so it is important to consider other factors such as role or member attitudes.

The key to effective communication and engagement is understanding these differences and ensuring that content is both relevant and informative for the group you are targeting.

## The PLSA/ Loughborough University Retirement Living Standards

As covered in the previous section, the PLSA has introduced retirement income targets\* to help savers understand how much they need in order to have a minimum, moderate or comfortable retirement. These lifestyles are defined in reference to a number of pre-defined categories.

	Single	Couple
Minimum	£10,200 p.a.	£15,700 p.a.
Moderate	£20,200 p.a.	£29,100 p.a.
Comfortable	£33,000 p.a.	£47,500 p.a.

\* Source: The PLSA/Loughborough University Retirement Living Standards (<https://www.retirementlivingstandards.org.uk/>)

Aon's DC Analytics can help you to determine and regularly monitor who is on track for a reasonable retirement outcome and who is not.

This analysis can then be used to decide where to focus your efforts as it can identify specific factors which are impacting outcomes.

Contact your usual Aon consultant or email [talktous@aon.com](mailto:talktous@aon.com) to learn more about Aon's DC Analytics and other defined contribution services and solutions that Aon can offer to help encourage your membership to save more.



### Aon point of view

Member presentations and workshops can help support your members in understanding what they should be targeting in retirement. For example, using a target-setting presentation as part of the annual enrolment exercise could help members to visualise what they want in retirement and the planning tools available.



Our biggest challenge is: Engaging people to save more as a habit, not just in pensions



# Financial wellbeing support

Financial wellbeing is a hot topic on many agendas, and pensions is a key part of any programme.

The most popular financial wellbeing support currently offered is 'saving for retirement', followed by 'insurance' and 'creating a financial plan'. At Aon, we summarise financial wellbeing support into four key areas using our four P's framework: prepare, plan, protect and preserve. The most popular wellbeing support focuses on 'plan', building a short-, medium- and long-term plan, and 'protect' against the unexpected.

Our research shows that those running schemes are planning on expanding their support in all areas, with understanding and creating a financial plan, saving for emergencies and saving for long-term goals other than retirement all priorities flagged for the near future.



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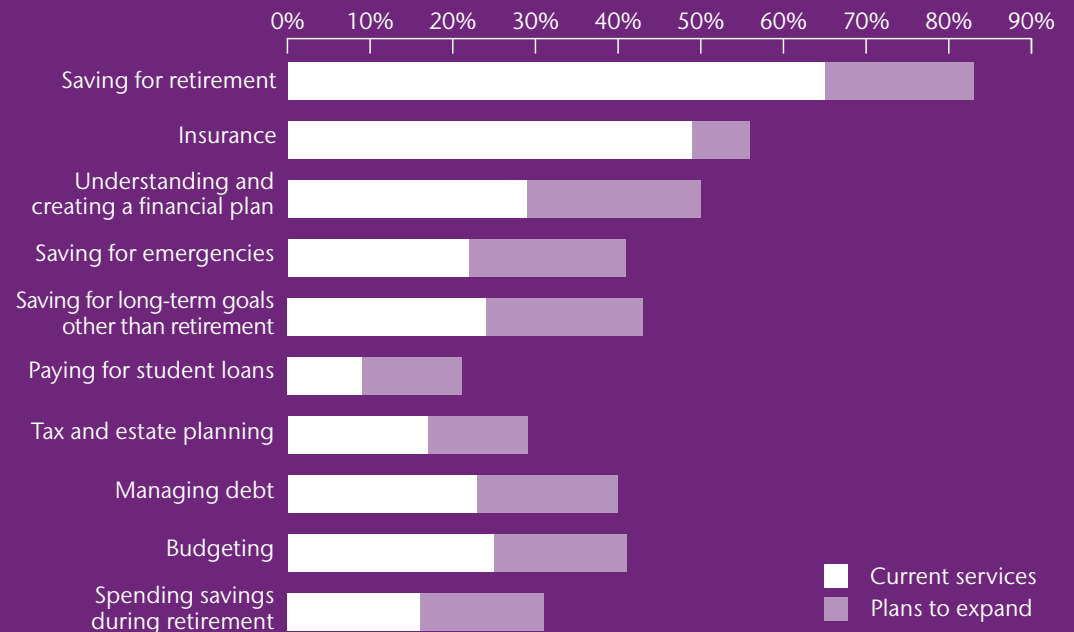
Our biggest challenge is:  
Getting members  
to own their  
future financial  
security

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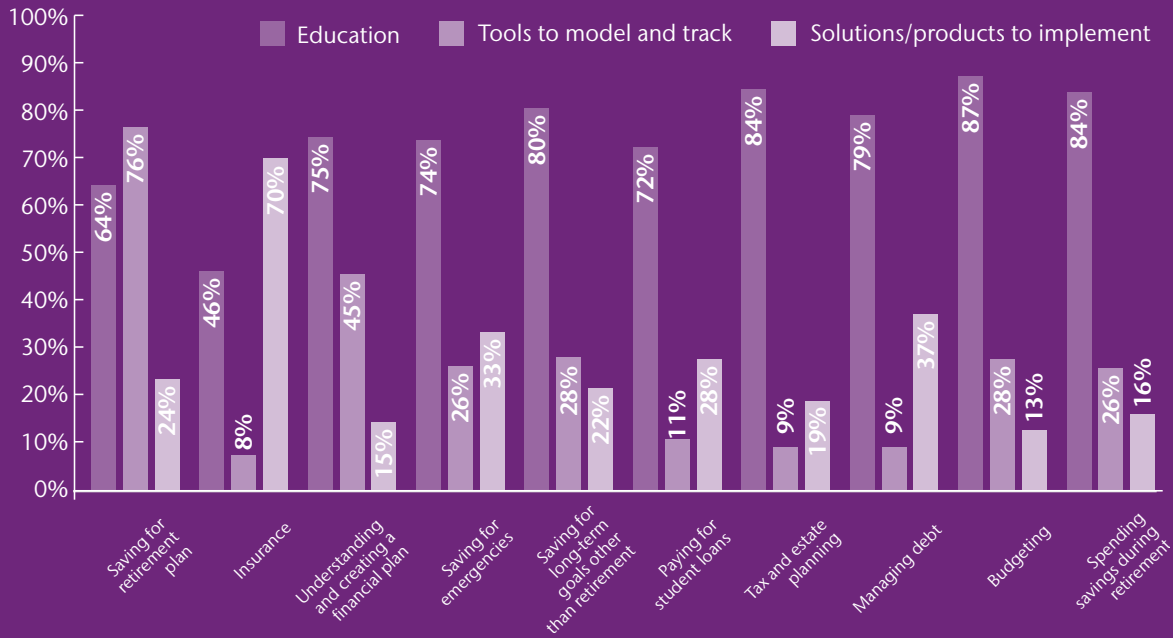
From Aon's 2018 ['Living the Dream'](#) survey, we found that most individuals in the early part of their career would like their employer to provide some sort of support on financial topics and as people progress towards retirement, the focus turns from day-to-day financial needs to more specific areas.

### Q. Do you offer services in any of these financial wellbeing areas?

From our 2018 member survey, in person one-to-one education sessions were the top choice for getting support on managing finances. Tools or technology to track success were also popular, as well as financial products offered through the employer. Our survey this year shows that employers are responding to their employees' needs as financial education is the most commonly offered service in financial wellbeing support. However, modelling tools and products were less common, suggesting that employers could look to expand what they offer in those areas to meet employee needs.



**Q.** What types of service, if any, do you offer in each of these financial wellbeing areas?



Aon's financial education team runs a range of seminars for our clients targeted at different groups, for example those joining a company, those towards the middle of their career or those approaching retirement.



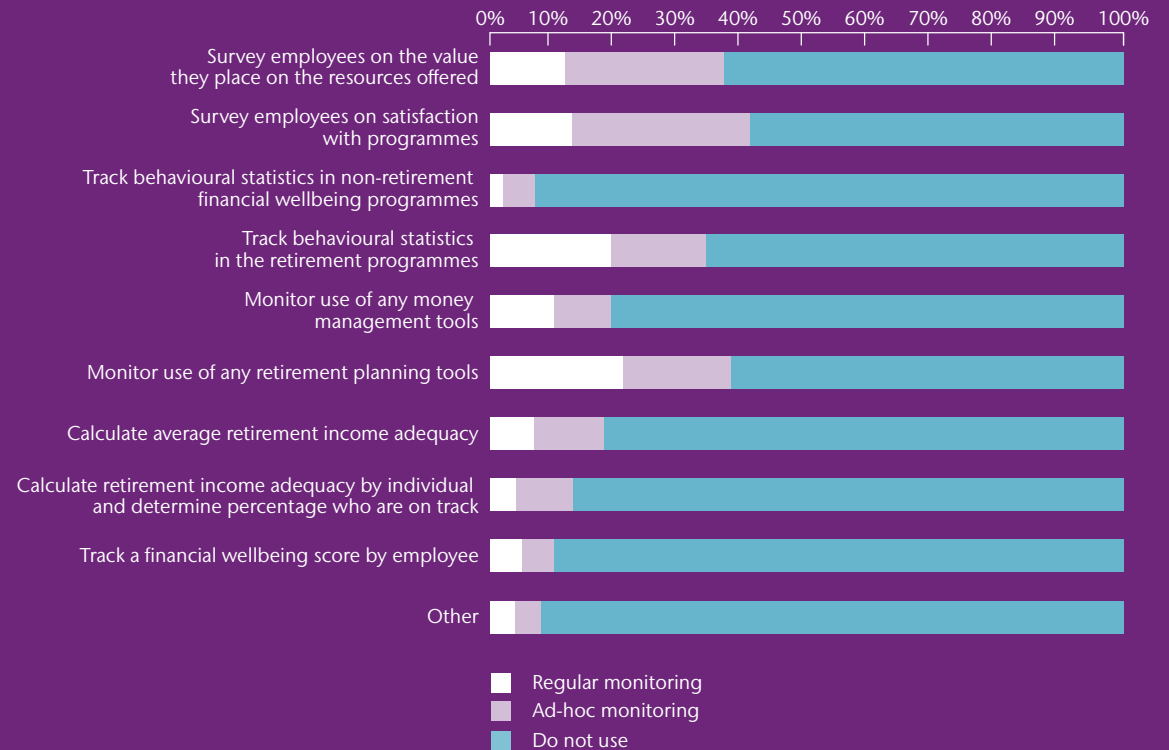
# Measuring success

Our research shows that while there is a variety of ways in which employee engagement with retirement and financial wellbeing programmes can be measured, the majority of those running schemes do not measure success.

# Q. How do you measure employee engagement with your retirement and financial wellbeing programmes?

Determining whether initiatives have met your objectives is key to maintaining a successful strategy – and there are several ways in which this can be done. The most commonly-used methods include conducting employee surveys and monitoring employees’ use of the tools in place. Another option is monitoring which members are on track for an adequate retirement outcome; however, only 14% of those who currently monitor employee engagement do this.

Reviewing changes to retirement adequacy is vital to measure success as this is a key objective for many running DC schemes

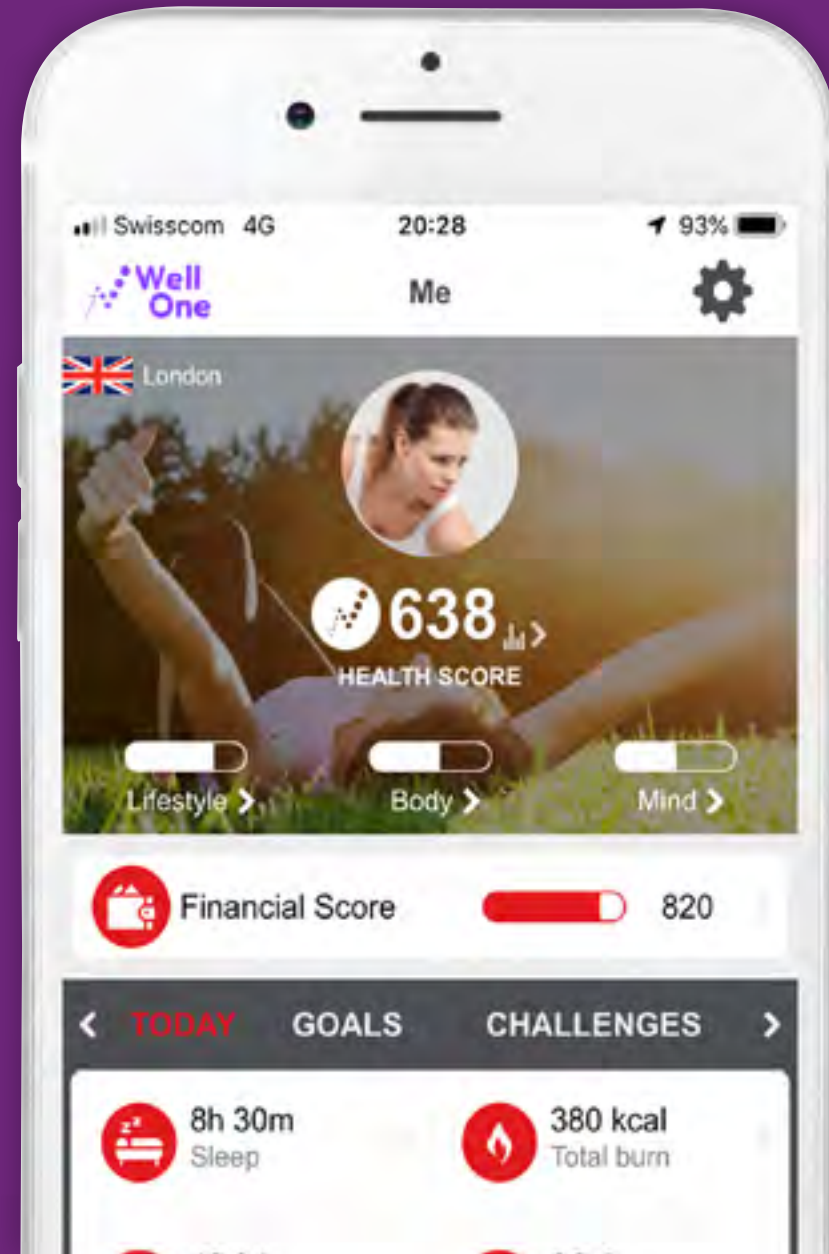


# Well One

Our Well One app provides clear, data-driven insights on the wellbeing of individuals, teams and the wider business using simple health scores. Analysing data from four areas – physical, emotional, social and financial – Well One helps bring focus and clarity to strategy and communications, while enabling healthy behavioural change for employees.

## Do you know where to focus?

Our financial wellbeing audit identifies your employees' financial wellbeing needs and the appropriateness of your current benefits to meet these.



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## About Aon

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