

# Keeping on track in challenging times

Aon's DC pension and financial wellbeing  
employee research 2021



# Introduction

The fundamental purpose of pension provision is to ensure people are financially supported at a time in the future when they no longer earn or generate enough income through their day-to-day work.

**While this may sound simple, the reality is not so straightforward, especially at a time when people's lives and financial security may have been affected in many other ways.**

**To explore the reality of defined contribution (DC) pension provision and wider financial wellbeing today, Aon and YouGov surveyed over 2,000 employees across a wide range of age groups, incomes and industries.**

The resulting report — which also draws on wider Aon and external research, as well as the views of Aon's DC experts — provides an insight into the current financial position and pension planning of the UK's employees. Some of the headline findings may be surprising or even shocking and should not be ignored.

When talking about people's finances we need to be mindful of the economic and personal impact of the times we are all currently living through.

Nearly **40%** of our respondents were directly impacted by employment changes during 2020<sup>1</sup>



Over **1 in 4** were put on a period of furlough<sup>2</sup>



**1 in 6** had reduced hours and or reduced pay<sup>3</sup>



**1 in 35** had been made redundant and subsequently found new employment<sup>4</sup>

The retirement savings gap is getting **worse not better**



**1 in 4**

think they will **never** be able to **retire**<sup>5</sup>

This is a huge increase from the one in seven who expected never to retire from work when we asked the same question in 2018. Around half of employees expect to continue in work past age 68<sup>6</sup>.

Employers need to up their game on communicating their **financial wellbeing support**



Just **15%**

of employees believe their employer offers a **good level of support** with their financial wellbeing<sup>7</sup>

Around one in three say their employer offers no support in this area and one in six do not know what support (if any) is available. We know from our 2019 research — 'How do you measure up?' — that companies are doing more than ever in this area — but clearly the message is not getting through.

People are **not checking** how their **pension investments** are performing

Despite the unprecedented volatility in markets and widespread reporting of how this could impact workplace pensions, only 7% said they checked to see how their pension investments had been affected by market movements in 2020. Only 8% say they plan to do so over the next 12 months<sup>8</sup>.



Proof, if needed, that it is **vital for schemes to manage investments** on members' behalf

Most people need the basics such as **simple rules of thumb** rather than complex tools



**71%** have not set a goal for how much they need to save before they can retire<sup>9</sup>

This is higher among female respondents than male (76% / 68%)

It is still high for older respondents, as 63% of over 55s have not set a goal

The most popular type of support requested is guidance on how much to save to be able to retire on an adequate income.

There is a serious issue with **retirement affordability**



**87%**

are **expecting a shortfall** in retirement income<sup>10</sup>

Most people aim to address this by either planning to save more in the future or accepting a lower quality of life in retirement. Working longer also features highly. 11% have no idea how they will address the expected shortfall<sup>11</sup>.

Schemes need to do more to help people plan. Employers will need to understand the impact of people staying in work for longer

This report is split into five sections exploring a range of key themes, each including a checklist of potential actions:



We hope you find the survey results interesting and useful. We would be happy to talk them through with you, to put them into context for your own employees and pension scheme members. We can also help you to understand where you and your employees need to take action to ensure their retirement savings remain on track.

Speak to your usual Aon consultant, email us at [talktous@aon.com](mailto:talktous@aon.com) or contact one of our subject matter experts below:



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## Breakdown of survey response data in this section

| Footnote | % response  | Number of respondents        | Notes   |
|----------|---|------------------------------|---|
| 1        | 38.1% employment affected   | 2,002                        |   |
| 2        | 26.9% put on period of furlough   | 2,002                        |   |
| 3        | 15.3% had reduced hours and/or pay  | 2,002                        |   |
| 4        | 2.9% had been made redundant since Jan 2020   | 2,002                        | Only current employees surveyed so this excludes those made redundant and still out of work.  |
| 5        | 24.7% of respondents  | 1,385                        | Excludes 'don't know' responses.  |
| 6        | 51.4% of respondents  | 1,385                        | Excludes 'don't know' responses.  |
| 7        | 15% of respondents  | 2,002                        | 28% of respondents said their employer offers an average level of support, 11% not a very good level, 30% no support and 16% do not know what support is offered. |
| 8        | 7% of respondents have checked between Jan and Oct 2020,<br>8% of respondents plan to check within the next 12 months   | 2,002                        |   |
| 9        | 71% of respondents have not set a goal<br>76% of female respondents<br>68% of male respondents<br>63% of over 55's  | 2,002<br>850<br>1,152<br>505 |   |
| 10       | 13% of respondents do not expect a shortfall  | 1,586                        | Excludes employees who responded 'don't know' to how much they think they will need in retirement.  |
| 11       | 21.3% plan to save more in future<br>20.5% will make cut backs to standard of living in retirement<br>18.6% plan to retire from work later<br>10% do not know how they will address the shortfall | 1,386                        | Excludes employees who responded 'don't know' to how much they think they will need in retirement and those who do not expect a shortfall.                        |



# Communications and engagement





# 71%

have not set a goal for how much they need to save in order to retire



# 1 in 3

say there is nothing preventing them from saving more



# 61%

of DC plan members base how much they are saving into their pension on what is offered by the employer<sup>4</sup>

## Communications and Engagement

Communicating in the right way is crucial in helping pension scheme members understand when they need to take action.

A huge 71% of employees have not set a goal for how much money they will need to save before they fully retire, with this figure even higher for females<sup>1</sup> and those in their early career<sup>2</sup>. It is evident that focused and clear communication is needed in DC pensions.

## Where to focus your communication



# 87%

are **expecting a shortfall** in their retirement income<sup>10</sup>

The most straightforward way for people to improve their pension outcomes is to save more, and the earlier the better.

Respondents are anchored to their employer default or maximum matching contribution levels when choosing how much to save as described in the first section of this research 'Strategy and long-term objectives'.

Nearly half of respondents say that either nothing is stopping them from saving more or they are put off saving because of low interest rates<sup>3</sup>. This is a significant proportion of people that could be targeted to put more into their pension savings.

**Having a clear strategy with measurable objectives in place will enable you to determine the success of any campaigns that you run.**

To determine where to focus your communication efforts, it is important to make use of the sources you have. For example, have you sought feedback from the individuals that your communications are aimed at? Can you run focus groups? Or can you access data on projections to look at which pension members are not on track for a reasonable outcome at retirement?

## Where Aon can help

- At Aon we have helped many employers and pension schemes to define their communication strategy and to set measurable objectives for achieving improved outcomes for employees and pension scheme members.
- Retirement adequacy analytics can be used to determine if there are any key groups of members who are not on track for a certain standard of living in retirement to help focus your resources.

# A range of methods

It is important to use a variety of methods to communicate; what works for one person may not have the same impact on others.

The most popular communication method for all respondents was email, followed by face-to-face meetings and letters. In the current environment, with many working from home, bite-sized communication can work well – and employees may pay more attention to their post than in the past. There are clear differences across age ranges, with over 55s more likely to prefer a face-to-face meeting or a hard copy letter than younger age groups.

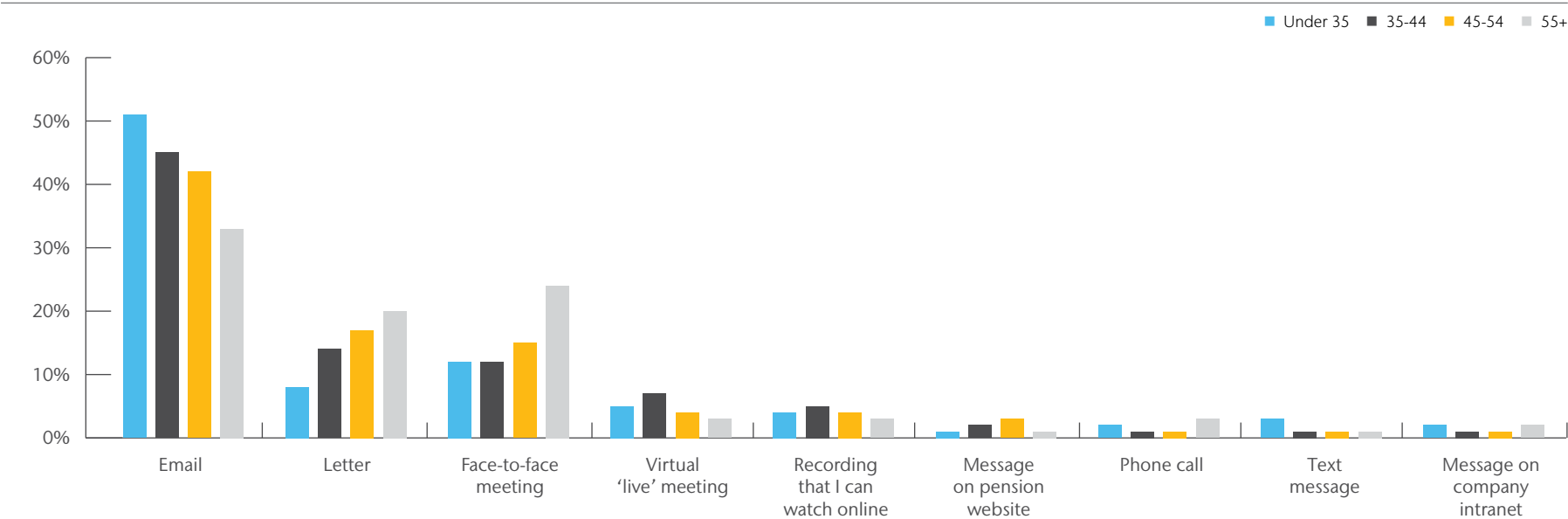
Videos have also become more popular, with over 80% of consumers in the US and UK saying they consume more content since the outbreak, with broadcast TV and online videos being the primary mediums across all genders and generations\*.

\*Source: <https://www.visualcapitalist.com/media-consumption-covid-19/>



It is important to use  
**a variety of methods**  
to communicate

## Preferred method of receiving information on pensions and benefits



2,002 UK employees



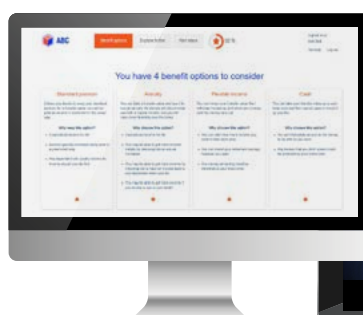
## How Aon can help

Our communications practice can support you in producing engaging communications which bring results for your workforce.

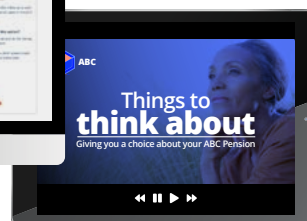
### Interactive PDF / presentations / personalised communications



### Modellers



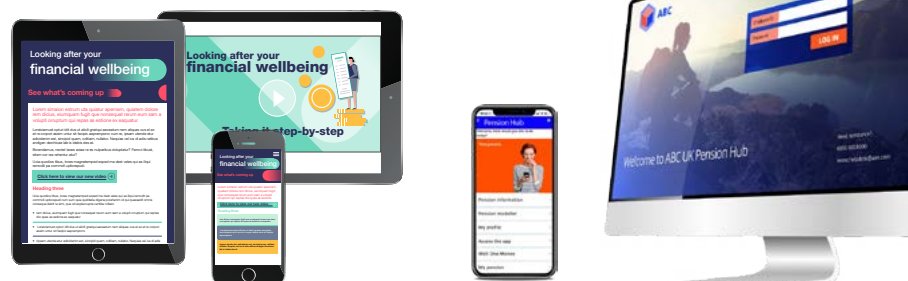
### Videos



### Communication campaign



### Dashboards



## Actions checklist:

Use data and employee feedback to set your communication objectives

Ensure clear information and support is delivered across a range of channels

Review success measures to enhance your communication programme over time

## Breakdown of survey response data in this section

| Footnote | % response   | Number of respondents | Notes   |
|----------|--|-----------------------|---|
| 1        | 76% of female respondents have not set a goal, compared to 68% of male respondents.  | 2,002                 |   |
| 2        | 79% of respondents aged <35, compared to 71% average.  | 2,002                 |   |
| 3        | 34% of respondents say nothing is stopping them from saving more and 14% of respondents say low interest rates prevent them from saving.                     | 2,002                 |   |
| 4        | 31% of respondents say employer sets the level and 30% save up to maximum employer matching level when asked how they decided how much to save into pension. | 1,269                 | UK employees who are members of a DC pension arrangement. |

Speak to your usual Aon consultant, email us at [talktous@aon.com](mailto:talktous@aon.com) or contact one of our subject matter experts below:



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## About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

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