Surveying the scene: Industry's long and winding road to improve client satisfaction

Pension freedom heralded a sea change in retirement options and clarity of advice for customers. But a new poll reveals customers still have concerns about their pensions. David Hutchins, lead portfolio manager, multi-asset solutions EMEA at AB (formerly AllianceBernstein), explains

We often talk about knowing our customers' needs, but there is no better way of making sure than by asking them directly. That's why we commissioned YouGov to conduct a survey of more than 500 active savers in defined contribution (DC) schemes. Participants were aged between 25 and 65, so they covered the broad span of pension savers. The findings provide ample food for thought.

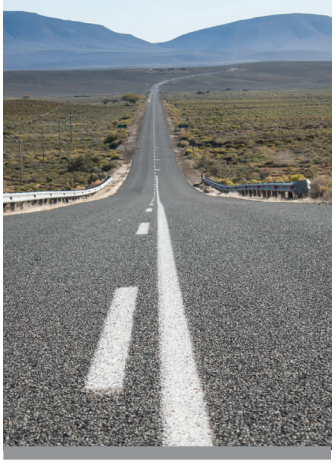
Perhaps unsurprisingly, the underlying theme was the importance of DC savings. Defined benefit (DB) schemes are becoming rarer and people feel they can rely less on the state.

In a possible reflection of changes to the state pension, nearly half now see their DC savings as their main source of retirement income. This was even more pronounced for savers aged between 25 and 35, with only about 1 in 10 believing that the state will provide their main income in retirement.

Despite this, more than a third did not know how big their retirement pots might be. This shows that savers still do not spend much time thinking about what they will need once they stop working.

The message that we need to work longer is getting through, however, with less than 30% expecting to retire before they are 65. By far the largest group (47%) think they will be between 65 and 70 at retirement.

Savers also appear to be more responsible than suggested by the headlines we saw when the pension freedom legislation was introduced in April 2015. Most seem to realise that they need to make their funds last for longer, with more planning to remain invested. Only 4% said they would use them for large purchases such as a new car or a holiday.



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This is good news. Although some savers cashed in their DC pensions as soon as pension freedom allowed them to do so, it seems that these were mainly savers with small DC pots, who probably had other sources of retirement income, such as DB schemes. Those retiring in the years ahead are more likely to have larger DC schemes and have indicated that they will remain invested. That's certainly encouraging.

Members do, however, want value for money. The survey showed that 64% of people are, to varying degrees, interested in the performance of their DC investments. That intensifies over time, with people aged 45 to 55 showing the most interest.

Meanwhile, 57% think that it is important to be able to compare the performance of different pension providers.

Not knowing as an option

Perhaps the most interesting finding from the survey is that almost a third of people (30%) do not know what they will do with their pensions when they gain access. We need to recognise this is because people do not know when retirement will come or what it will look like.

As an industry, we can provide information, but we can't expect people to make irrevocable decisions before they know what their circumstances will be.

That's why 73% of people said that flexibility was important. It makes no sense to ask members to choose a single specific investment outcome, as some pension providers do up to five years before retirement. Instead, flexible and responsive options must become the norm.

Our survey's findings present challenges not only to the pensions industry, but to the government and fund managers as well. Tomorrow's retirees recognise that the outcome of their DC savings will be a key factor in the quality of their retirement. So they expect the performance of their pension funds to be comparable and are unwilling to be tied down as to when and how they can access their savings.

Trust in pensions

Above all, our survey highlights the importance of trust. When we asked respondents what prevented them from investing more in their DC pensions, the top three concerns were poor market returns, high fees and the possibility of changes in government policy or tax treatments.

At present, DC savers don't trust the pensions industry, they don't trust the government and they don't trust the markets. As millions more rely on their DC investments for retirement, it is incumbent on the industry to step out of the shadows of changing government regulation and work harder to gain members' trust.

Put simply, an industry that has all too often been a byword for complexity, rigidity and opaqueness must change to provide investment solutions that are simple to understand, flexible to members' needs and transparent about what they intend to deliver.

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