

# Innovating to make change easier for pension savers

The emphasis now on Defined Contribution pension schemes means trustees, pension providers and financial advisers must adapt to this change and look for new ways to help people plan for their future, writes **Sean Egan**, Director – Corporate Partnerships, Irish Life Assurance plc

*“Intelligence is the ability to adapt to change.”*  
– Stephen Hawkins

A lot of things have changed in the world since Stephen Hawkins uttered these words – we’ve seen the rise of social media, Artificial Intelligence technology has slowly infiltrated our lives and most notably from a pension’s perspective, we’ve seen the shift from employer-sponsored Defined Benefit schemes to Defined Contribution pension schemes.

The replacement of Defined Benefit by Defined Contribution pension schemes has meant that trustees, pension providers and financial advisers must now also adapt to this change and look for new ways to help people plan for their future.

In the past, people tended to work for the same employer for most of their career and were then rewarded with a pension for life. They had very little to do in terms of engaging with their pension and at the age of 65 could look forward to a good deal of certainty with their pension pot.

However, with the move to Defined Contribution pensions in recent years, the responsibility of ensuring sufficient income in

retirement has moved from the employer to the employee. For most people, this has the potential to have a bigger financial impact than many other financial decisions they will make throughout their life.

**Meaningful communication is now more important than ever**

The pensions industry has recognised this shift in responsibility, but it has taken time to re-view and refine its approach in adapting its communication model with employees. In the past, the response was to provide employees with as much information as possible to help them understand how their pension works.

Unfortunately, this approach tended to have an adverse effect for many, causing employees to feel overwhelmed and confused and to ultimately ignore their pension until at the point of retirement.

Meaningful communication is



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## Steps to help employees prepare for retirement

When considering a pension, the most important decisions an employee needs to make are:

- Choosing a suitable investment approach
- Setting realistic retirement targets
- Regularly reviewing targets

Typically, up to 80 per cent of employees will opt for the default investment fund which has been selected by the pension scheme trustees. (Source: Irish Life, September 2020).

As most pension members end up in this fund, it is one of the

most important decisions that the trustees will make. When selecting a default investment option, the trustees would normally look for an option that takes a number of factors into account.

These would include a fund or strategy that targets growth in the early years and moves towards lower-risk funds as the employee approaches retirement. It should look at targeting funds towards retirement that will best match the benefits an employee is likely to take and most importantly, it should be reviewed and updated on a regular basis.

The good news for trustees is that there are many options avail-

able to them.

The next step is to help employees understand what level of income they will need in retirement. This will involve careful consideration from the employee when thinking about their expenses in retirement, taking their needs, wants, hopes and dreams for the future into consideration.

This simple task will help them determine what level of contribution and investment return they will need to help meet their retirement goals. The earlier they begin this process, the easier it will be help to meet their target.

As circumstances and market conditions change so often, there

is a need to regularly check how their pension is performing so they can review their goals and take appropriate action when needed.

## How the pensions industry can help guide our members

Now that we have discussed the key areas an employee needs to focus on, the next area of focus is for trustees, pension providers and financial advisers. We all need to ensure we are communicating with employees in a timely, relevant and easy-to-digest way so we can empower members to reach their retirement goals. I believe we will need to be more innovative and involved in order to achieve this.

The responsibility of pension providers is to make it as simple as possible for people to engage with their pension. We believe the three most important principles of member engagement are:

- Easy to understand
- Easy to engage
- Easy to take action

To do this, we need to ensure we have the right tools and services in place to make it as easy as possible for employees to get the information they need when they need it. Whether they request a change in contribution levels or a change to their retirement date, members should be able to see the changes to their pension in real time.

While there is no magic formula to any of this, it’s up to all of us in the pension industry – trustees, pension providers and financial advisers – to make the changes that ensure the people of Ireland have a better understanding of their pensions and get the retirement outcomes that they expect.

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We know Irish life. We are Irish Life.

## HELP YOUR EMPLOYEES Embrace their Retirement

Over half of employees with a company pension do not know what they need to live on in retirement.\*

Isn’t it time we helped change that?

At Irish Life we take a different approach to company pensions - we do more to make it easier for your employees to take control of saving for their future.

Our Member Engagement Team will partner with you, helping your employees understand how their pension works and what they need to do to plan for the retirement they want.

We deliver a wide range of on-going supports to suit you and your employees’ needs - such as online tools with 24/7 access to their pension. We’ve connected with thousands of people this year, virtually in groups and with one to one sessions by video or phone.

Find out more about the Irish Life approach to pensions, call us on 01 704 1845 or talk to your pension consultant.

\*Source - Coyne September 2020

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