

# Supporting member retirement plans

*Professional Pensions'* expert panel looks at how employers and trustees can best help members understand their options before and at retirement

**Research WEALTH at work carried out with the Pensions Management Institute found a majority of trustees had concerns over pension scams and the level of knowledge and engagement of members approaching retirement. Were you surprised by this level of concern?**

JONATHAN WATTS-LAY: In some ways no, because people generally are making quite poor decisions because they're not getting the support they need. We know that things like scamming are rife.

What did surprise me was the numbers that came out of the study. For example, 94% of trustees fear their members that are approaching retirement will be targeted by scammers. That is a very large number. Also, 89% of trustees are concerned that their members may not understand the tax implications of accessing their pension, again, a very large number.

When you look at how many trustees were offering support to their members, just 49% said that they were facilitating education, 46% financial guidance, and 30% regulated advice – there seems to be quite a mismatch between the level of concern that trustees have and the interventions they have in place to deal with that. This is an improvement compared to the figures from 2019 but there is still a significant mismatch.

**Simon, do you share the concerns expressed in this survey?**

SIMON LEWIS: On the scam side of things, trustees are quite right to be

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*Jonathan Watts-Lay, WEALTH at work*

worried but with the right controls in place, a lot of that threat can be mitigated.

The missing link is taking these proactive steps as a trustee board – for instance we have, as a trustee business, signed up to The Pensions Regulator's pledge to combat pension scams and this naturally flows through to looking at controls as well as how we look after members, educate them and help them understand their options.

One challenge we have here is the complexity of pensions – on behalf of our members, we've got a challenge to simplify the language we use and work out how we can connect with them and support them better.

**What do you think the role of financial guidance, education and regulated advice is in combating some of the issues you've found? And what do you think are the bars to adoption by trustee boards?**

JONATHAN WATTS-LAY: Financial education tends to be the first step

– making members aware of what their options are and making sure they understand the upsides and the downsides of those options. For most people, especially since freedom and choice came in, there is no single slam-dunk answer. This education piece is also really important to set the scene and highlight some of the things we've already mentioned – to be aware of scams and to understand that certain actions they take could lead to paying more tax than perhaps they need to.

When it comes to guidance, this tends to fulfil the need most people have, particularly if they've been through an education programme, to talk through their situation and the things they could do. That will lead on to regulated advice for some, while others might feel they have enough information and are confident about making a good decision.

You can think of it like a filter – some people may be happy at the end of stage one; others will want to go to stage two, the guidance; and some may want to go through all the way to regulated advice.

In terms of what stops trustees doing this, I think the reason this support is not being taken up at the rate that some would expect may be because there is still a concern around what the trustee can do and how far they can go.

There is also the question about how you find and appoint a firm or panel of advisers to help your members.

That in itself is quite an exercise,



and some trustees are still worried they will carry the can for the advice given. While that fear probably isn't well-founded, it shows the industry needs to educate more in its own right to explain to trustees what the rules are, what they are allowed to do and to communicate that it may now be riskier doing nothing than doing something in this area.

**SIMON LEWIS:** The Financial Conduct Authority tightened its rules around regulated advice last year, which I think has helped in one sense but still leaves trustees a bit unsure which way to step and how far they can actually go.

Unfortunately, there is also the matter of costs. The pandemic has made a lot of firms look at their costs and many are really struggling. While I would say financial education within your workplace is a really valuable thing, that might be something that becomes scrutinised if something needs to give in terms of cost.

There are lots of reasons why it's a bit of a challenge but my personal view is that doing nothing is the wrong approach – and we have seen many examples of what can happen if inadequate support from the trustees is provided.

**When a trustee board or employer decides it wants to do more to support scheme members around retirement, what are the key steps they can take?**

**JONATHAN WATTS-LAY:** It goes back to having a process, being clear about what that process is, and about what impact you think that process is going to have.

From years of experience we know you really have to work hard to engage members and also accept that what people often want to do is talk to somebody at some point in that process.

This is really about trustees deciding what process they are going to put in place with the core objective of having an improved outcome for the member. This should not be box-ticking, but about understanding what would give that improved outcome.

**SIMON LEWIS:** Some up-front discussion between the trustees and

employer is important to understand the costs and benefits and what they're trying to achieve in supporting members.

Getting an understanding of the appetite and capability of your members, the data behind it, is also really useful to inform the direction you take in terms of the support.

Getting feedback along the way about how it's going and continually reviewing and refining your proposition is also very important.

Finally, if there are facilitated independent financial advisers (IFA) in place, then the trustee does also need to consider getting some legal advice about the risks involved and undertake a robust selection process, even though the contractual relationship may be with the member and the IFA during the advisory phase.

**How can schemes and employers best deliver education and guidance?**

**JONATHAN WATTS-LAY:** Hybrid is probably the answer. Often it is that combination of giving digital and face-to-face support.

Of course, pretty much all of the work that has been done since Covid has had to be digital or remote but we do have clients who want to return to face-to-face seminars because they like the whole group dynamic, which tends to enrich the experience and allow people to ask questions more easily.

**SIMON LEWIS:** Hybrid is a good way to deal with it. Giving members the choice is key – and even if you are offering a more online service you should still have the option to speak to someone over the phone or get sent paper.

On the other hand, there are more

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*Simon Lewis, Punter Southall Governance Services*

**WHO'S WHO**



**Jonathan Watts-Lay**  
*Director at WEALTH at work*

Watts-Lay is one of the founders of WEALTH at work and has spent many years working with both companies and trustees helping employees and scheme members make informed financial decisions



**Simon Lewis**  
*Client director at Punter Southall Governance Services*

Lewis started his pensions career with HR Trustees in 1998 before moving in-house with Veolia in 2008 and National Grid in 2015. He joined PSGS in 2020 and acts as trustee and scheme secretary

options now available – and options such as video appointments may well fit into people's days a lot better. It is a positive thing to add into the mix.

**What are your key takeaways from this discussion?**

**SIMON LEWIS:** Supporting members in their financial decisions and protecting them from the risk of pension scams should be on every trustee risk register and also on their annual business plan. Those items should be regularly stress tested to check against emerging trends and best practice.

**JONATHAN WATTS-LAY:** Trustees and employers are increasingly putting processes in place and we're beginning to see the emergence of what I would call best practice in this area. However, many of them haven't got there yet.

My key takeaway is making sure that employers and trustees are not left behind and trailing where the market is in terms of this best practice. At the end of the day, we've all got to remember this is really about good member outcomes after 40 years of saving.

*This webinar was held on 14 July in association with:*



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