Trust & Confidence Index 2021

Trafalgar House

Foreword

BY

Daniel Taylor
CLIENT DIRECTOR

Trafalgar House

When we undertook our first research in 2020, there were many unknowns facing the world. Now, having spanned almost two years, the impact of the pandemic has been wide and varied, with little consistency of its effect across different groups. This has made catch-all solutions for work, finances, and mental and physical health hard to come by.

When it comes to the financial situation of people across the UK since our previous report, this pattern of diverse impact is evident. For many, the pandemic has meant financial hardship linked with continued furlough, unemployment or restricted hours. For others it has meant fewer customers, declining sales and inevitable lower profits.

There is, however, also a group who have avoided many of the most negative impacts - those who could seamlessly work from home and benefit from reduced outgoings in the form of commuting costs, food and childcare. This group has had a chance to undertake a financial reset, with time to focus on their own financial habits as well as review their various personal contracts and suppliers.

No matter the personal circumstances, it has been essential for the pensions industry to react to the needs of members and to prove itself reliable, adaptable and relatable during this difficult period. Much of the industry has coped well with the demands placed on it by the pandemic, with administrators working remotely and introducing new systems, services and communications to support the change. This rapid evolution has helped make the industry more secure, flexible and resilient.

However, the question of whether these quick, short-term changes will leave a lasting positive legacy for the industry is still something only time will tell.

For now, it's important for trustees, sponsors and the industry more generally to take note of our findings last year and in this new study. There's clearly still a substantial group of members who believe their pensions are not working for them. The industry should never accept not being able to gain members' trust or confidence, or that members feel they are not being supported in their savings journey.

So, while there are early signs of positivity in some elements of this year's research, there is still so much work to be done. The onus is now on the industry to continue the upward shift of trust and confidence for the long term, rather than let this progress peter out.

At Trafalgar House, we take our responsibility in this area seriously. Our aim for taking these independent member views is to look at the heart of the problem, identify where attention is needed and consider our role in the solution. Internal satisfaction surveys may have their use, but not when it comes to a critical assessment of the state of the market. We must not be afraid to challenge ourselves as an industry and face a few home truths when it comes to what really matters – we are the custodians of members' financial futures, and must do all we can to support their journey towards a financially secure retirement.

Daniel Taylor
CLIENT DIRECTOR

Index introduction and the 2021 Trust Score

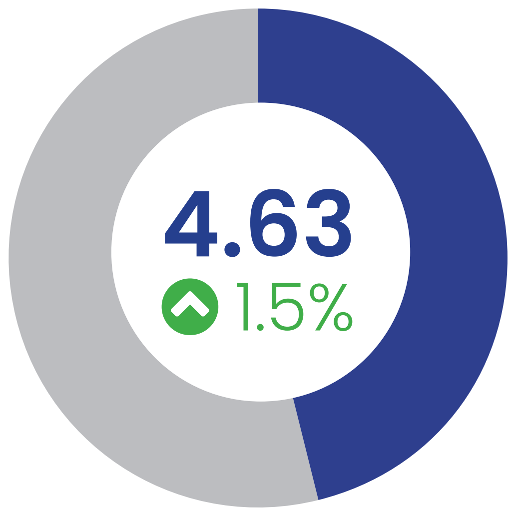
The Trust & Confidence Index 2021 ("The Index") is the second annual assessment by Trafalgar House of the view of the general public on the pensions industry, and the actions and outcomes that result from people's interactions with their lifetime savings. The aim is to identify, from an independent perspective, how much the industry is trusted and what level of confidence people have that the industry is positively supporting their retirement plans.

As well as the headline Trust Score each year that combines the ratings given by respondents for how much they trust the industry, further elements of the Index will again be divided into the three distinct sections, as well as a new piece of analysis focused on member understanding:

1. **Trust in the pensions industry** – This considers the fundamental question of how much people trust pension providers, as well as how this trust impacts people's retirement savings. It will also reassess respondents' trust in pensions compared with other financial service industries to capture wider trends and movements
2. **What impacts trust and confidence?** – This section focuses on the influences of outside factors on the trust people have in pensions, as well as how different communication methods impact views. This part of the Index also ranks which elements of the service provided by the industry are most important to members
3. **Members' own decisions** – The third section looks at members' confidence in their own choices for some of the key decisions they face, and their confidence in the level of savings they have built up for their retirement
4. **Member understanding** – A new section introduced this year takes a deeper look at the knowledge and understanding members have. This looks at how widely the public understands some of the most common savings and retirement industry terms

The research was completed between 23-24 September 2021, surveying 2,068 people. The survey was undertaken online by YouGov Plc and is representative of all UK adults aged over 18.

Future versions of the Trust & Confidence Index will survey approximately 2,000 UK adults in September or October of each year, with the Index report and findings published early the following year.



The 2021 Trust Score

Having asked respondents to score their level of trust in the pensions industry on a numbered scale of 0-10 that gauged responses from 'not at all' through to 'a lot', the overall 2021 Trust Score for pensions is 4.63.

This is an increase of 1.5% on the 2020 Trust Score of 4.56, which may seem insignificant but, given the global circumstances, it is still pleasing to see a positive result.

This sentiment of positivity, albeit gradual and hesitant, is reflected throughout this report.

Section 1 – Trust in the pensions industry

Having identified the new overall Trust Score for the pensions industry in 2021, the aim of this section of the research is to look in greater depth at the level of trust members have in the industry to support them. It also considers how pensions compare to other financial industries, looking at current levels of member confidence as well as how this has changed over the last 12 months.

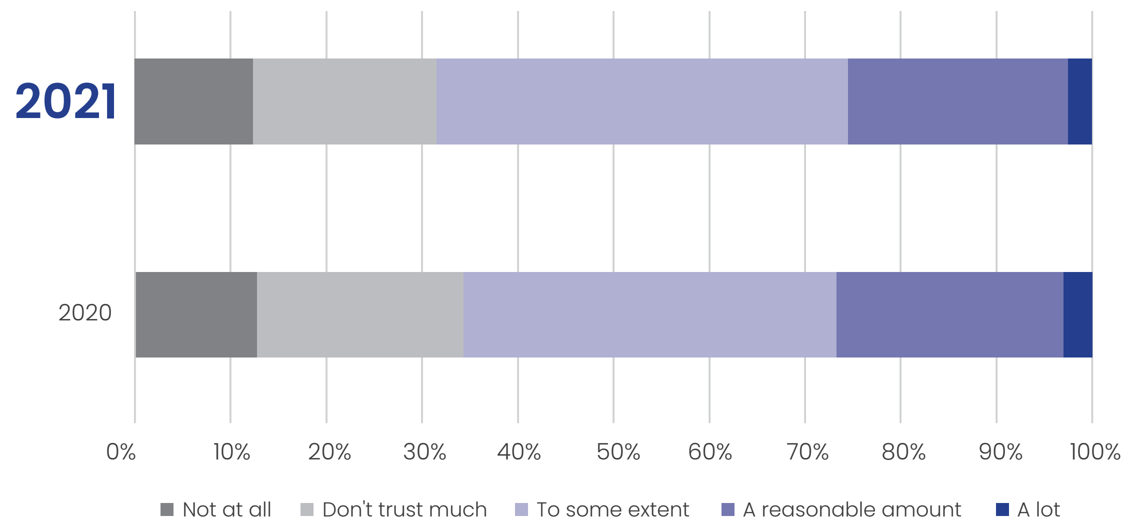
Trust in pensions

While the results are broadly similar to the research undertaken last year, there are fewer responses at the two extremes of the scoring. As a result, the proportion of people giving the industry an average score of between 4 and 6 for trust has increased from 39% to 43% in 2021.

Although this 4% rise in more moderate voting has meant a 1.2% fall in those saying they trust the pensions industry a reasonable amount or a lot (26.7% down to 25.5%), more encouraging is that it has created a more substantial fall in the number of poor scores for 'don't trust much' or 'not at all' of 2.8% (34.3% down to 31.5%).

Clearly, having almost a third of people scoring trust in pensions so poorly is still a considerable concern for the industry, and one that should be a priority to correct.

To what extent do you trust the pensions industry?



How does this trust in pensions affect how you feel about your level of savings for retirement?

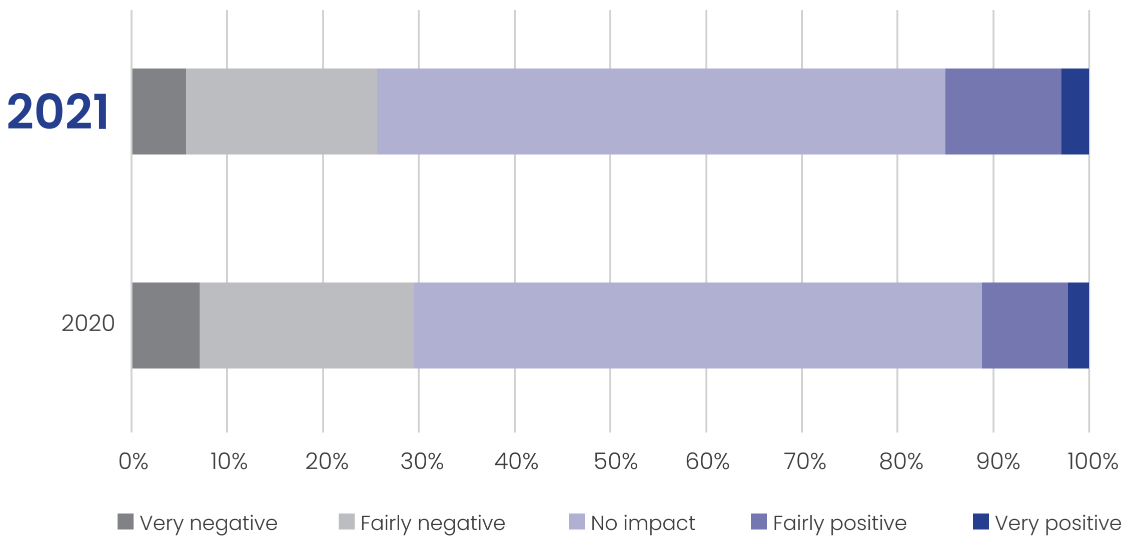
Despite trust once again remaining low in this research, the problems highlighted in the previous report were not going to completely disappear in a short period. It is, however, encouraging to see that more people feel their level of trust in the industry has had a more positive impact on their savings levels than in previous research.

Those giving pensions either a fairly or very positive score has increased from 11.2% last year to 14.9%, while the fairly or very negative impact score declined by a similar amount - from 29.6% to 25.8%.

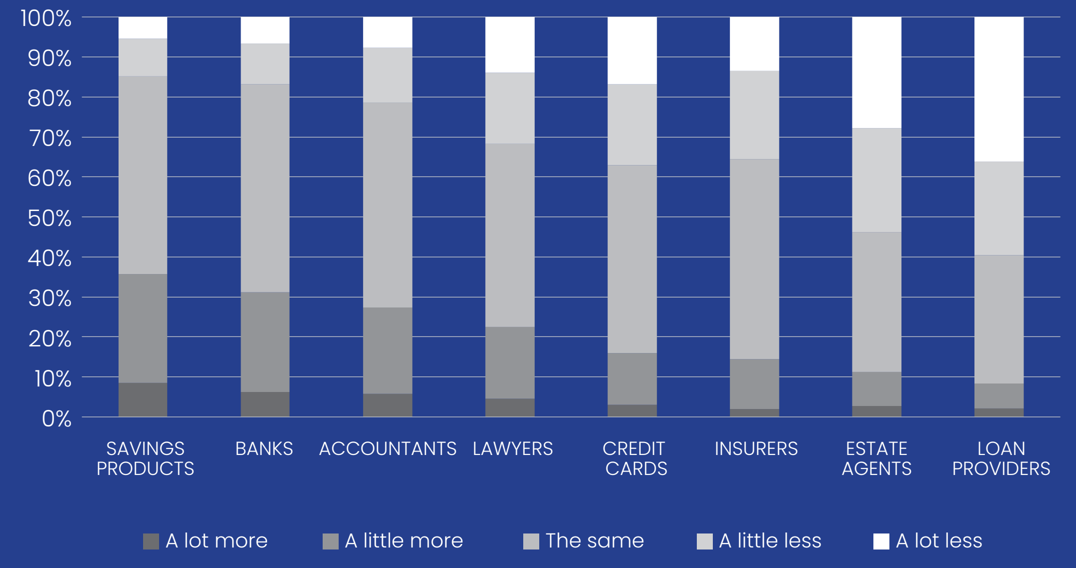
These are still not acceptable scores of course, and more needs to be done to earn the trust of those rating the industry so poorly for the way it supports their savings journey.

It's also important not to forget the substantial 59.3% who feel that the industry has no impact on their pension savings. More needs to be done if such a significant group of members believe their trust in the industry has no bearing on their savings efforts.

Impact of your trust in pensions on your savings amount



Trust in other industries compared to pensions

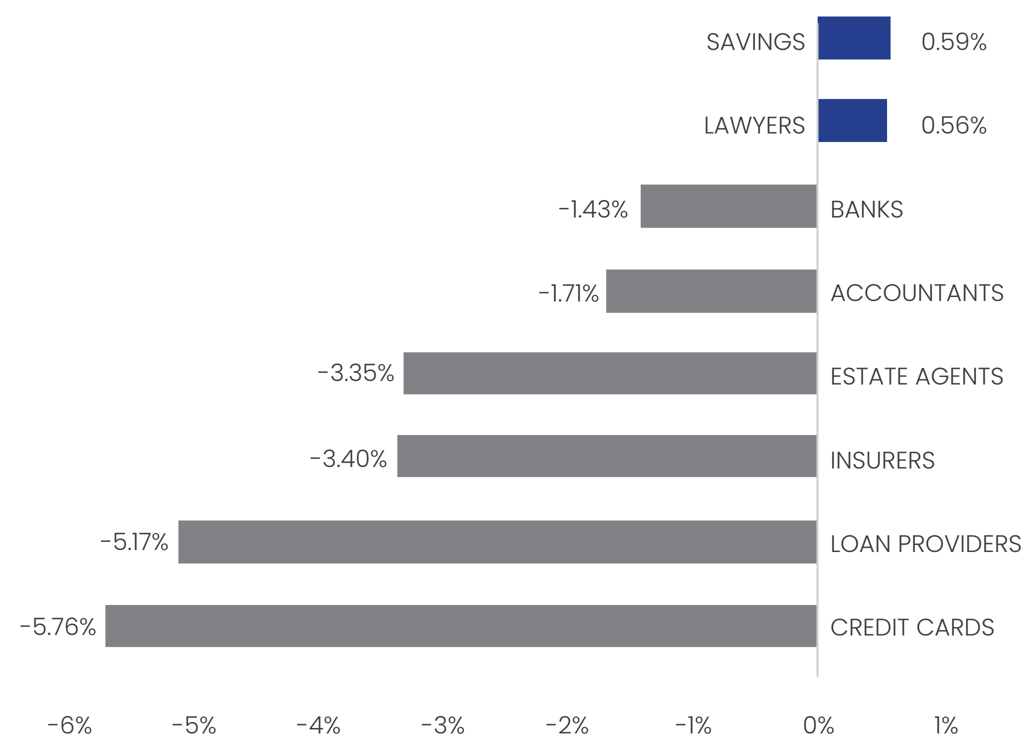


Despite the small increase that the pensions industry has had in terms of overall trust, the status quo from the previous research has remained for the hierarchy of industries and the level to which people trust them. Our research reveals that pensions sits fourth overall, below savings products, banks and accountants.

Disappointingly for the industry, in the past year pensions has only outperformed two other industries – savings products and lawyers – when it comes to changes in the level of trust compared to 2020. The other six industries have all fared better in their comparative trust levels over the past year.

We know that trust in pensions has marginally increased, so this suggests that trust in other industries has simply increased by more. In some cases, like credit cards, loans and insurers, it may be the case that they scored particularly poorly during their handling of COVID-19 at its peak, and may now be reverting to more typical levels.

% change in trust in pensions compared to other industries



Analysis and take-aways

There are of course some small positives to take from this initial part of the research, as the average level of trust in the pensions industry has risen slightly. Part of this picture is that fewer people say they don't trust pensions either at all, or not a lot, which is the primary target for the industry to address.

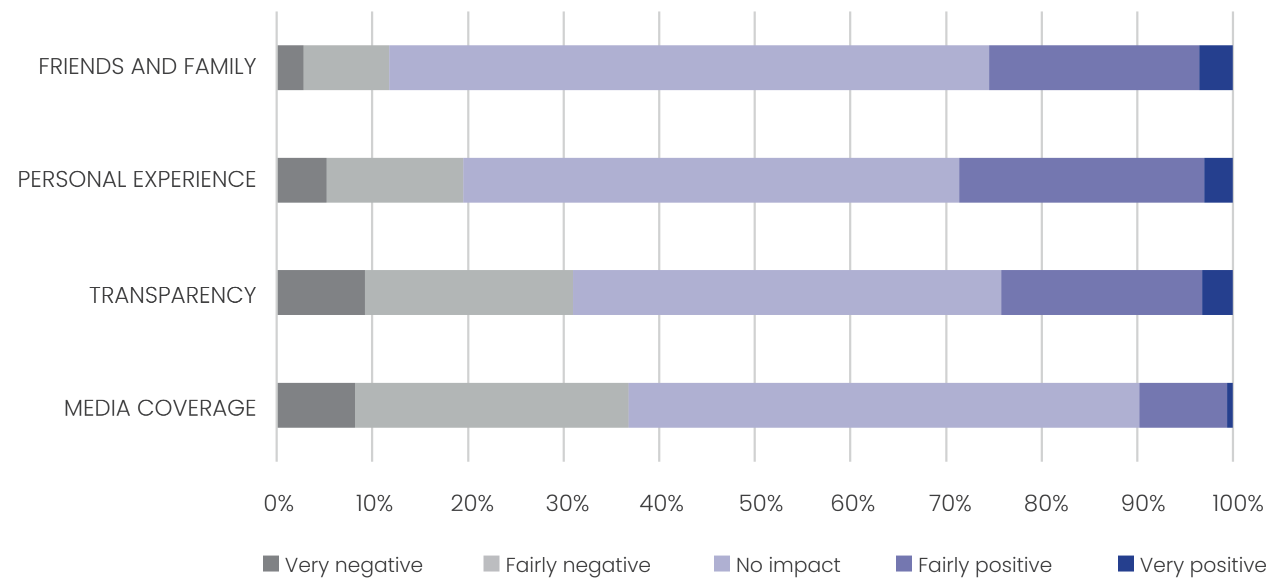
There is also a more positive trend in the impact of this trust on members' savings levels. While this is still significantly lower than the industry should be aiming for, there has been a 3.7% shift from negative to positive.

However, on the downside it seems that trust in many other industries has fared even better than pensions over the past pandemic-hit year. Six of the other eight industries saw trust scores rise by a greater level than the pensions industry, so there may be things to learn in terms of customer service and communication going forwards.

Section 2 – What impacts trust and confidence?

This section looks at the elements that affect members' level of trust and confidence in the pensions industry – both from the industry itself and from external factors. It covers elements of the service offered by the pensions industry, as well as communication methods and the influences from outside the industry that members receive.

How much have these factors had a positive or negative impact on your trust in pensions?



While the industry and its actions have direct control over much of what creates trust and confidence in members, there are also other factors that play a part.

In this section, this year's research shows respondents gravitating towards the middle in their choices, and, for each of the four categories, we saw a decline in both the negative scoring and positive scoring.

The upshot is that members' own personal experience and the influence of their friends and family remain more positive than negative – as they did in our previous research. Both have more than a quarter of positive scores, with negative scores 9% lower than positive for their personal experience and 13% lower for their friends and family's impact.

Transparency and media coverage show the opposite story once again, as negative scores outweigh positives. Transparency still has around a quarter positive and almost a third negative. But it is media coverage that remains exceptionally disappointing – having a negative impact on 37% of respondents and a positive impact on only 10%.

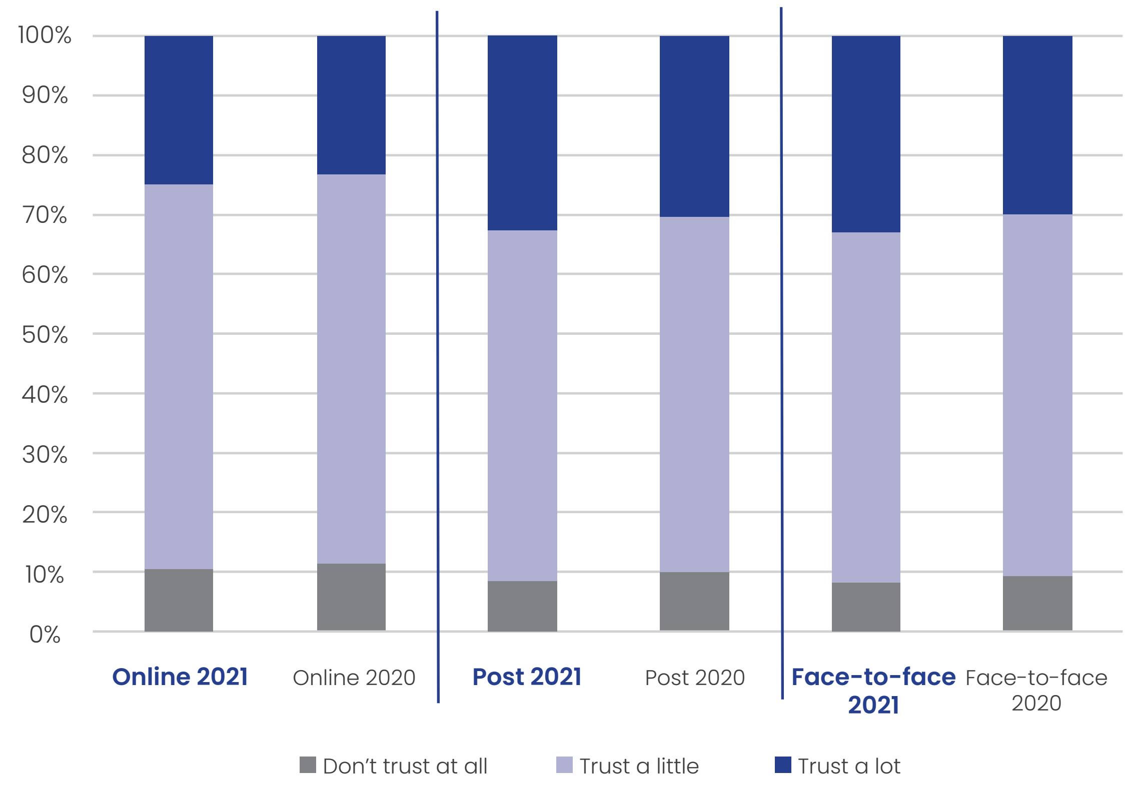
Through a commitment to effective management of pensions, member communication and service standards, the industry can help eliminate some of the negative media attention it attracts.

How much do you trust these types of communication?

Trust in communications is always key for the pensions industry, as it is often the main way that members engage with their own situation and make the necessary decisions before, during and after retirement. It's therefore encouraging that the positive figures shown in the previous research have improved further this time around.

Looking again at online, post and face-to-face communication, trusting each of these methods a lot has increased by between 1.8% and 3%, while the number of people who say they don't trust the communications fell between 1.1% and 1.5%.

Again, it is encouraging to see online communications comparable with the other more established methods, especially with many administrators moving to digital interactions through remote working during the pandemic. Face-to-face interactions have now overtaken post as having the highest proportion of members trusting it a lot, while it still has the fewest 'don't trust' scores too.



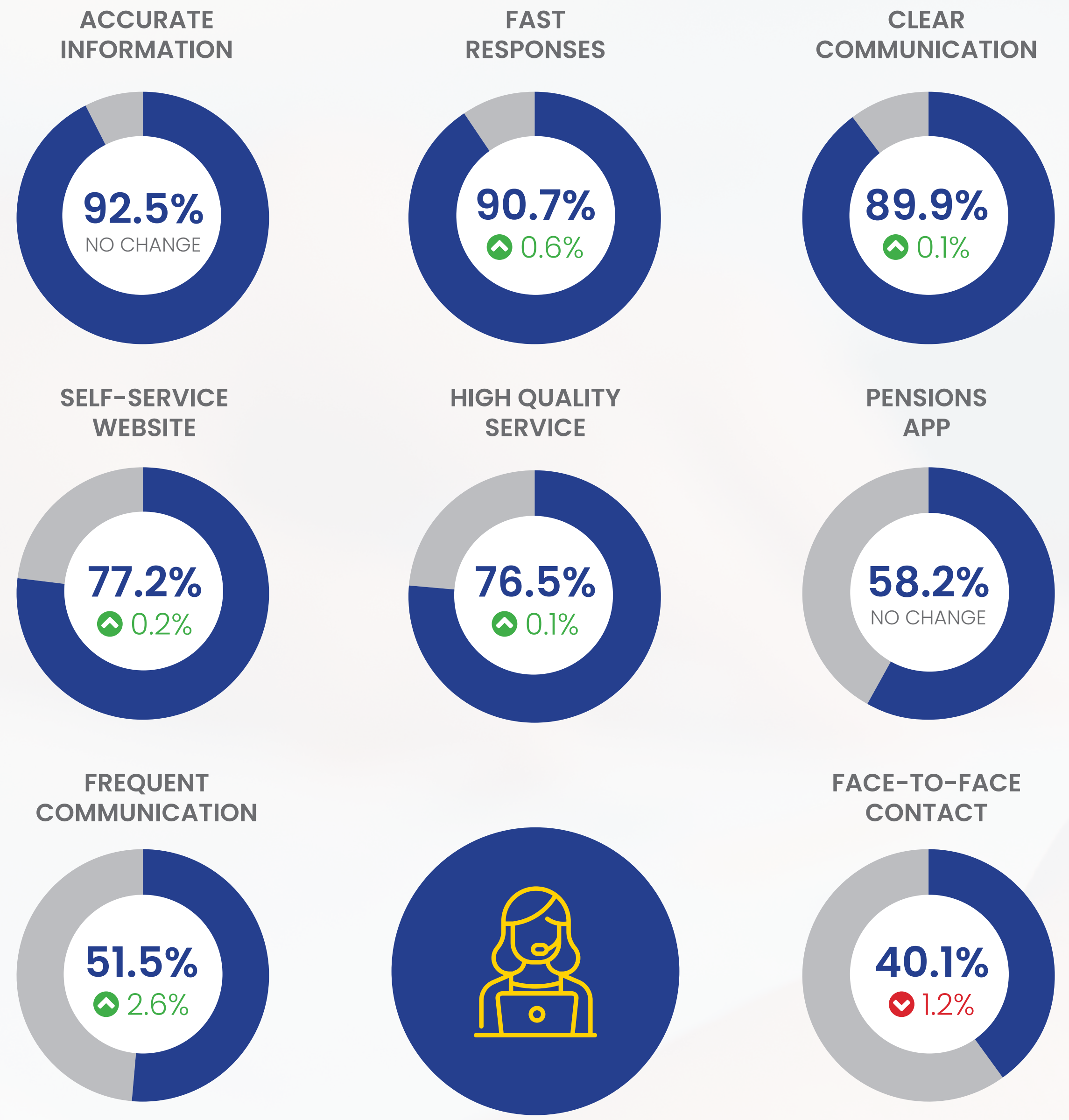
The importance of good service

There are so many critical elements of effective member service – and the importance of each can change depending on the type of member or the stage of their retirement journey.

This year we see more people looking for faster and higher-quality service provision compared to last year. The biggest increase came from people asking for more frequent communication, with a 2.6% growth in respondents saying this is fairly or very important to them. This could potentially signify greater engagement among some members, who are looking for more regular interaction with their pension.

Only one area fell in its importance – face-to-face contact. This is not surprising considering how the pensions industry and wider society has moved to more remote working practices over the past two years.

How important are each of these factors for building your trust in pensions?



Analysis and take-aways

The results show that online and digital communications are still holding up well among more traditional methods, showing continued engagement among a significant proportion of members in handling their savings digitally. This broad acceptance can enable providers and administrators to continue to move towards these more modern methods.

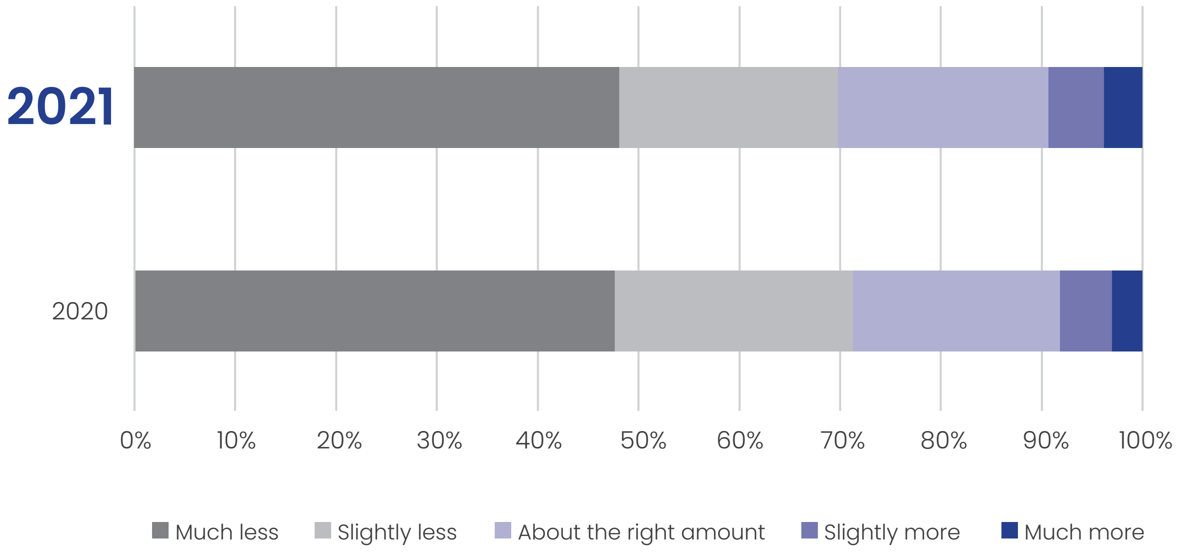
Accurate, fast and clear are obviously the prerequisites of any communication with members, and their continued high scoring is evidence of this. It's interesting to see that more frequent communication and high-quality service were the main movers, perhaps showing people want to take greater control of their pensions and engage more with the options they have.

To capitalise on this engagement, the results show that the industry needs to keep working to improve trust. The results for people's own personal experience and their friends and family's influence on trust still have a way to go to reach the levels that pensions should be expecting to achieve, while media coverage can be improved by eliminating errors, delays and poor communications.

Section 3 – Members' own decisions

This section considers members' views on their retirement status and some of the decisions they have made towards their future, as well as how these have changed over the past year.

Do you think you will have more or less saved than you will need in retirement?

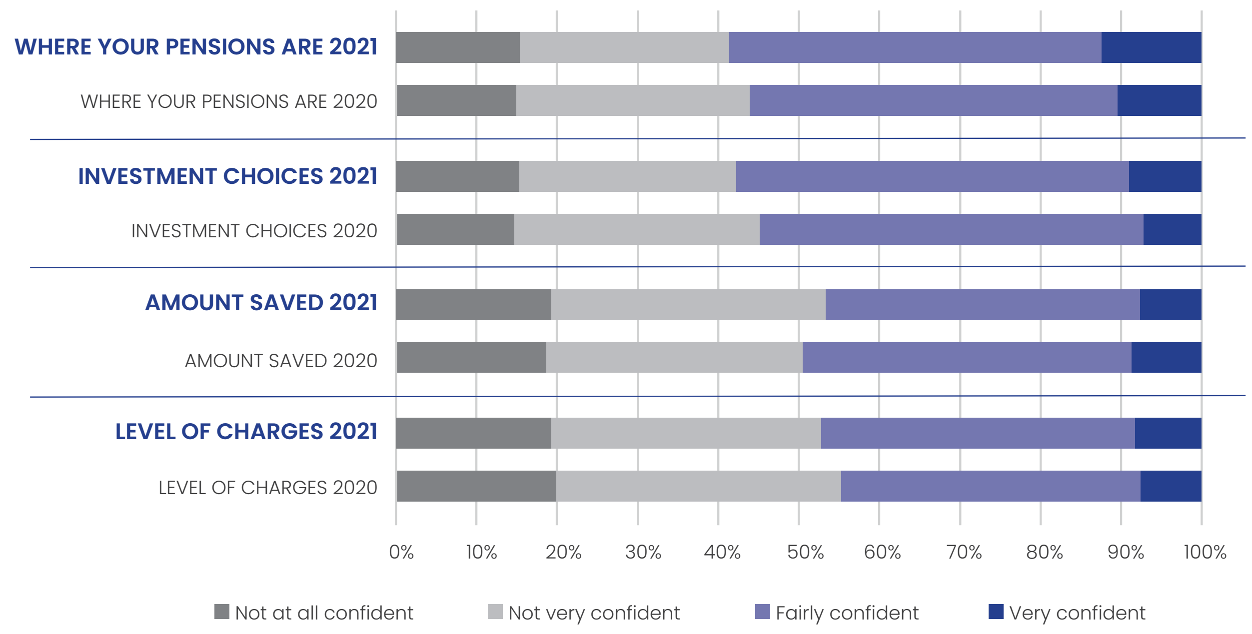


In results consistent with what we have seen throughout the report, there has been a small positive shift, of around 1.4%, in the responses to this question when compared to 2020.

While still at levels that will be deeply worrying to the industry, perhaps some small comfort can be taken from the results heading in a positive direction. The number of people feeling they will have less money than needed fell from 71.2% to 69.8%

That decline translated into increased numbers with more confidence for their retirement. Those feeling they had about the right amount remained at one in five of the overall picture, shifting up slightly from 20.5% to 20.8%. And those believing they had either slightly or much more than they will need increased from 8.2% to 9.3%.

How confident are you that you made the right decisions?



Last year's report highlighted an interesting point that although member confidence across a range of areas was fairly low, their belief that they had made the right decisions themselves was noticeably higher by comparison.

A similar story is evident again, with member confidence in their choices of pension provider (58.6%), investments (57.8%) and level of charges (47.2%) all higher than last year by around 2.5%. It's important to note, however, that confidence in understanding charges remains low and is something for the industry to address.

The only figure to differ relates to members' confidence in their decisions for the amount they have saved. The score for being either fairly or very confident is down from 49.5% to 46.6% this time around. Whether this is a more realistic assessment compared to last year's, or whether COVID-19 has brought some concerns or a franker assessment of personal finances by some people, remains to be seen.

Analysis and take-aways

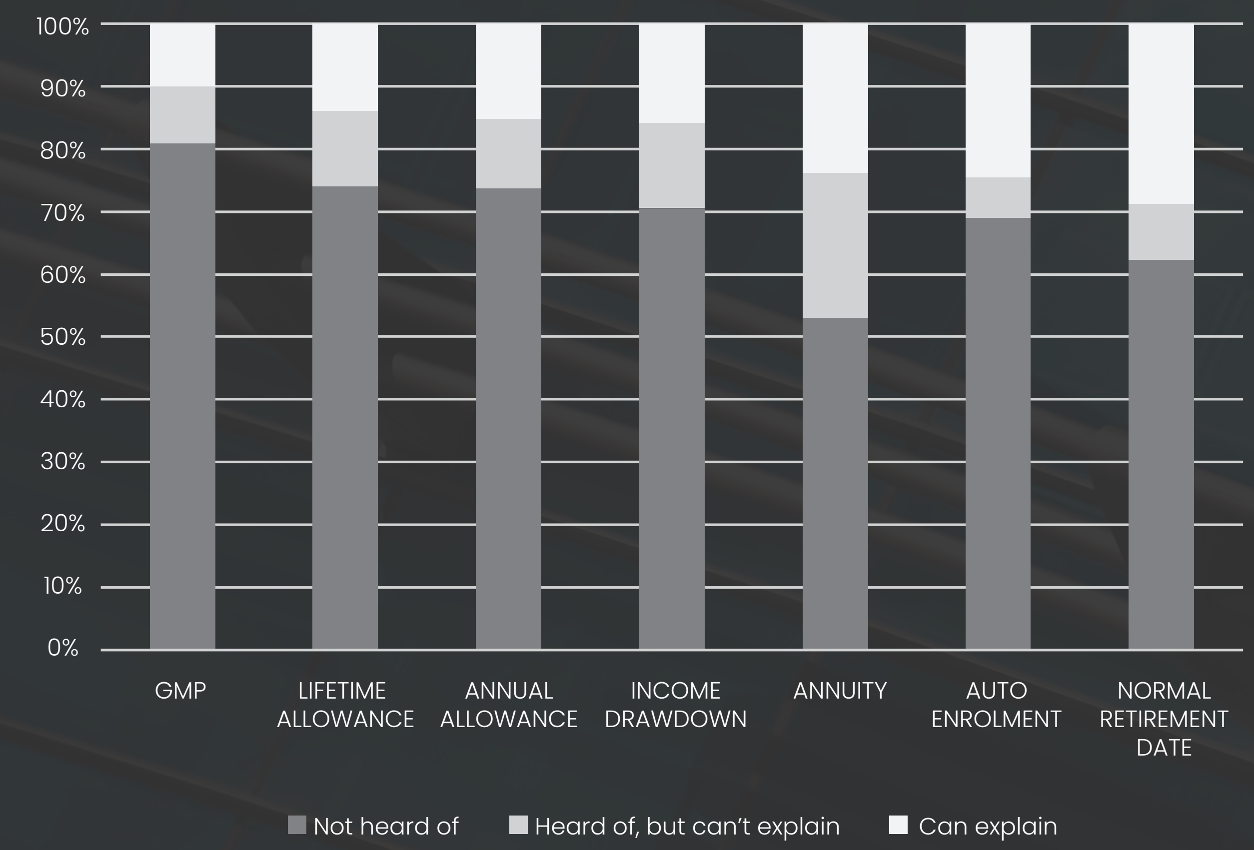
Members have shown higher confidence in the level of savings they have than at this point last year, although it is still nowhere near a figure the industry should want to see. Confidence moving in the right direction is encouraging, but that should not stop the work needed to dramatically improve this figure.

This belief in their savings sufficiency is despite members showing less confidence in their own saving decisions this time around. However, members are increasingly confident in their choices of investment, charges and pension types – all going up from last year's research. But even with stronger figures, that leaves 40-50% of members lacking confidence in these decisions, which is where the industry should take more steps to engage, educate and empower them with the choices they need to make.

Section 4 – Member understanding

The new section of our research for 2021 stems from the apparent disparity between low member confidence in their savings potential, but their greater confidence in their own decision making.

Terminology you've heard of and could explain to friends/family



We wanted to assess whether the pensions industry is creating barriers for member understanding either in the terminology used, or in the way it engages with members on their retirement planning.

Understanding pensions terminology

The headline figure for this section of the research is that no piece of pensions terminology that we put to respondents had been heard previously by more than 50% of people. This is a big red flag for the industry and how its communication techniques are resonating. The industry is known for its jargon, but many of these terms are fundamental to anyone saving for retirement, and it's surprising to see such low scores across the board.

The term 'annuity' is by far the most heard of at 46.5%, while 'auto enrolment' is surprisingly low (31%), considering the public advertising campaigns run by the Government across various media channels, as well as mandatory employer communications that will have been required for staff in the years since its inception.

When it comes to understanding and being able to explain the meaning of these terms, perhaps less surprisingly 'auto enrolment' and 'normal retirement date (NRD)' are by far the ones that people feel they could explain more easily. Of those who had heard the term 'auto enrolment', 79.1% felt they could explain its meaning to friends or family, while 76.2% of those having previously heard the 'NRD' term believed they could explain it.

Despite being the most commonly heard, only half (50.7%) of those people then felt they could go on to explain what an 'annuity' was. This was a similar split among all other remaining terminology as well.

What this means overall is that fewer than three in ten of the total respondents had both heard of and could explain even the highest scoring term – 'NRD' (28.7%). At the other end of the scale, only 10.1% of people had both heard of and could explain 'GMP', and 13.9% the same for 'lifetime allowance'.

The 'don't know' factor

It is well known that typically members' general understanding of pensions is quite low. But even within the context of a survey on trust, confidence and basic knowledge, there are some significant findings that highlight the lack of knowledge that many members have with their retirement savings and their personal situation.

Some of the standout results when it comes to respondents answering a question that they 'Don't know', include:

- **8.4%** of people didn't know or couldn't recall whether they'd had any interaction with their pension in the last year
- **9.0%** of people were unable to say what kind of pension provision, if any, they had
- **16.4%** of people with a pension didn't know if they had more, less or the right amount that they would need in retirement
- **17.4%** don't understand what their options are for increasing savings
- **24.9%** of people don't know what the barriers are to them saving more
- **34.1%** of people had not heard of any of the terminology we put forward

Summary and conclusions

Trust in the pensions industry needs to improve – it's as simple as that.

The scores for the trust members have in pensions remains low for a second year, although some small comfort may come from the fact that it has not worsened over the past year, despite substantial economic and employment market challenges.

Having some areas of small improvement and better scoring in the research is positive, but nothing more than the first step in the right direction. The acid test will be seen in next year's study to see if this becomes a continued trend to build upon.

Although there is some positivity, the research also showed the pensions industry falling behind many other financial industries in terms of the increased confidence members and customers have. And despite pensions still faring well against a number of these industries, savings and banks are still rated more highly by members. The battle to convince some that a pension is the right place for longer-term savings continues.

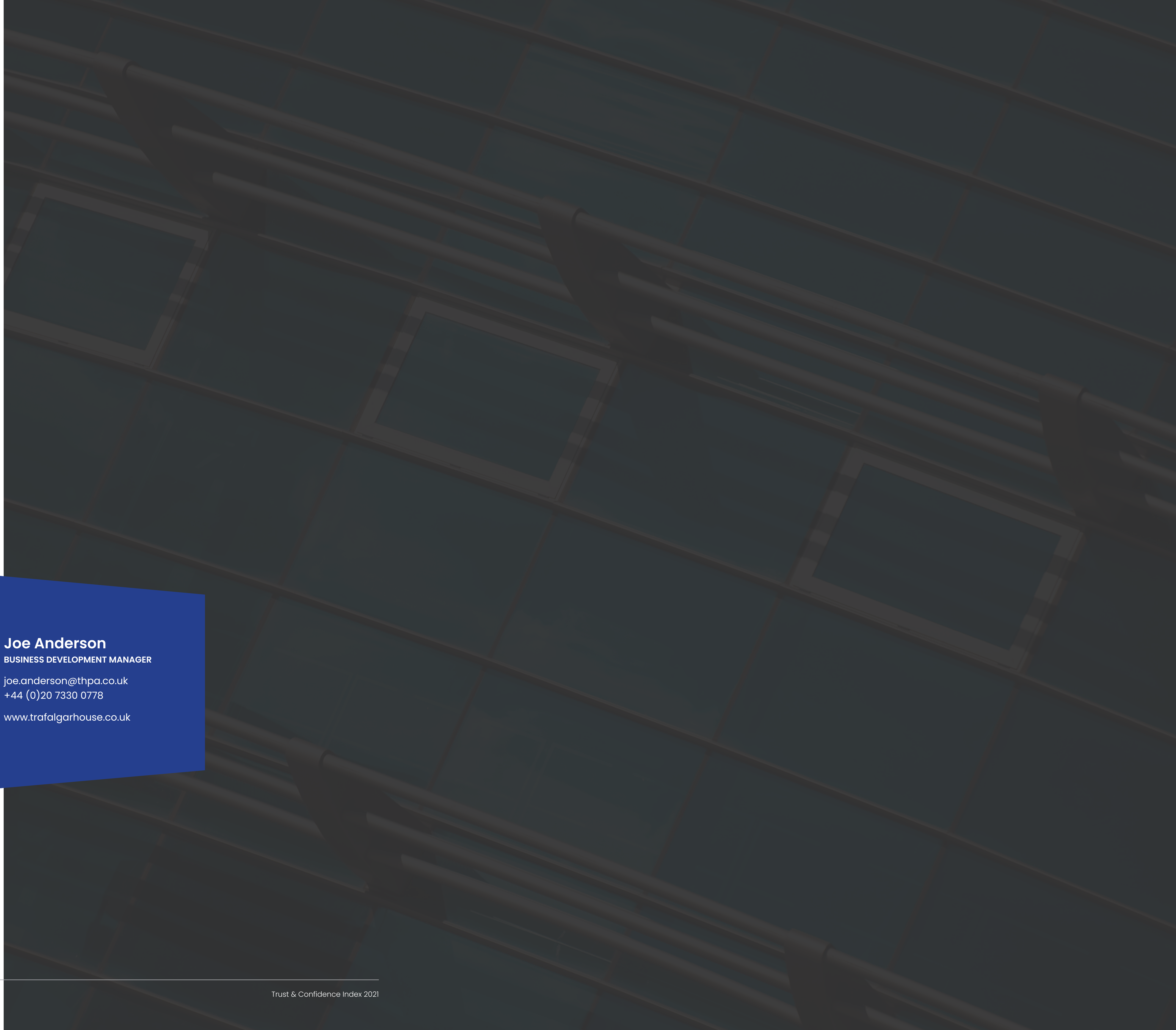
The results show that the public wants more communication, more frequently. This may point to signs of greater engagement and financial diligence for some members, but we should be wary that member understanding, even of what the industry would consider the most basic terms, is missing. Most people don't understand our commonly used terminology, and it's this that needs to be addressed before we simply increase the volume of communications to meet member demand.

Taking lessons from this research will be key to ensure that increased interaction actually resonates and that when members do approach the industry for support, they are given it in a way that suits them. And the lessons to learn extend more widely, and should be taken from the flexible digital service offered by administrators throughout the pandemic. Understanding which elements can continue as part of the ongoing member service and which should revert once remote working subsides, will help create a new best practice to apply for the future.

Ultimately, member trust and confidence are not something that we as an industry can self-assess and hide away from. If members say their confidence is low and they have trouble trusting certain elements, the industry should react to that. We cannot assume that because we as a collective industry of providers feel that the solutions are sufficient, that members agree.

Which comes back to the central point of the industry's role in member saving. We are all here to support and guide, not to make judgements and limit opportunity.

This year's research suggests a very tentative feeling that the pensions industry is answering some of the critics, but there's still a long way to go until we can all pat ourselves on the back and say pensions has earned that trust and confidence.



Joe Anderson
BUSINESS DEVELOPMENT MANAGER

joe.anderson@thpa.co.uk
+44 (0)20 7330 0778

www.trafalgarhouse.co.uk

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