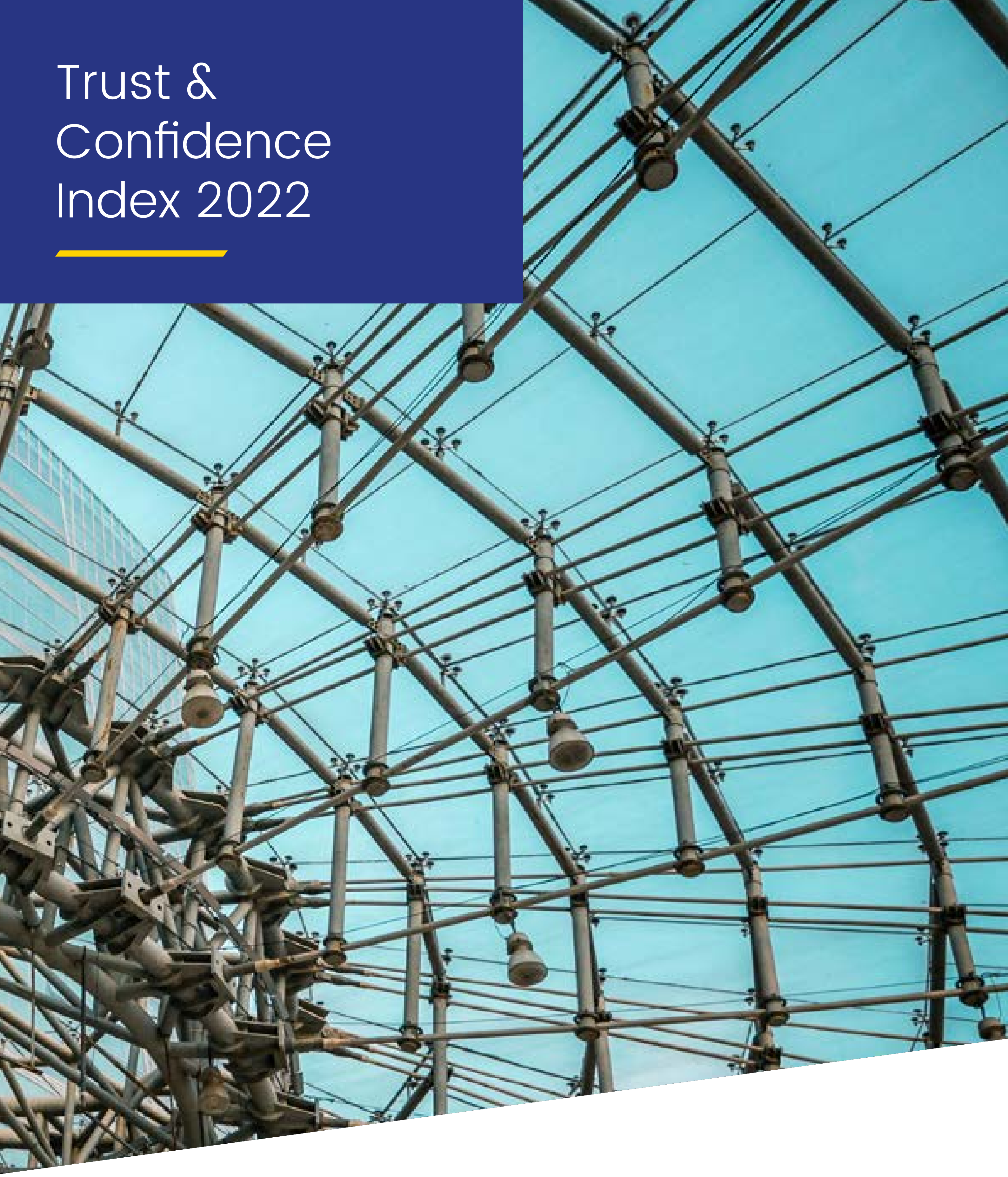
Trust & Confidence Index 2022



Trafalgar House

Foreword

BY

Daniel Taylor
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Trafalgar House

Section 1 - Foreword

What level of trust does the British public have in the pensions industry? In the third edition of our Trust & Confidence Index, we present the opinions of a nation that has been dealing with a different, but equally challenging, situation. In 2022, the country faced the added pressure of rising inflation and costs across many aspects of daily life, following two years of pandemic disruption. The increased prices of food, energy, petrol, and other necessities are affecting people's ability to save, forcing scheme members and pensioners to adjust their plans.

Despite the financial strain, it is encouraging to see that people are still prioritising their pension contributions. This underscores the crucial role that the industry has in helping members achieve long-term financial security. As we have observed from the way many parts of the industry adapted to the pandemic with flexible and remote operations, new systems, and better communications, it's essential to maintain this commitment to service excellence, especially as the economic challenges continue.

We encourage trustees and advisers to leverage the insights from this research to gain a better understanding of the current member landscape, especially for those who are struggling to make the most of their pensions. We also need to address the significant number of individuals who are either indifferent, uncertain, or disengaged from their retirement saving plans. In all these cases, it's evident that a neutral or non-committal response requires further attention.

At Trafalgar House, we use this research to gain valuable insights into the public's perceptions of the pensions industry and to shed light on the issues that many people are facing. By monitoring changing attitudes, concerns, and aspirations of members, we gain vital knowledge to deliver better services and, ultimately, improve retirement outcomes.

Daniel Taylor
CLIENT DIRECTOR

Section 2 – Index introduction and the 2022 Trust Score

The Trust & Confidence Index 2022 ("The Index") is the third instalment of our independent research into how the British public perceives the pensions industry. Our goal is to evaluate the level of trust and confidence that people have in the industry, and to determine how effectively it supports their retirement plans.

In addition to the Trust Score, we have collected data in four distinct areas, including a new analysis that examines how the cost-of-living increases are impacting people's ability to save:

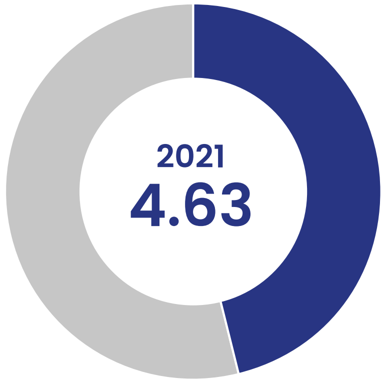
1. **Trust in the pensions industry** - This section evaluates the public's trust in pension providers and how it affects their retirement savings. It also compares trust in pensions to other financial service industries to capture broader trends and movements.
2. **Factors that impact trust and confidence** - This section explores how external factors can affect people's trust in pensions, and the role that different communication channels play. It also ranks the most crucial aspects of the services provided by the pensions industry.
3. **Members' decision making** - This section assesses how confident members are in their retirement savings decisions and the amount of savings they have accumulated for retirement.
4. **The impact of cost-of-living increases** - A new section added in 2022, which examines the effect of rising living costs on people's pension savings, retirement plans, and overall spending.

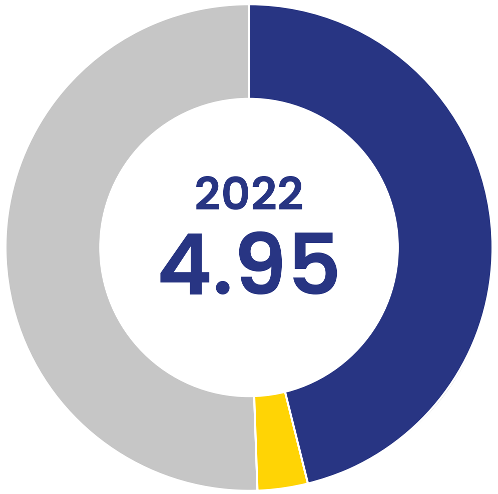
The research was completed between 7 and 8 November 2022, gathering the views of 2,031 people. The survey was undertaken online by YouGov Plc and is representative of a broad cross section of UK adults aged 18 and over.

The 2022 Trust Score

We asked respondents to score their level of trust in the pensions industry on a numbered scale of 0-10 from 'not at all' through to 'a lot'. The 2022 Trust Score for pensions is **4.95**.

This Trust Score of 4.95 for 2022 indicates a 6.9% increase from the previous year's score of 4.63. This improvement reflects positively on the pensions industry and is consistent with other trust and confidence metrics that have also shown progress. While this improvement is a step in the right direction, there is still a long way to go before we can claim success in regaining the public's trust.





Section 3 – Trust in the pensions industry

Now that we have established the overall Trust Score for the pensions industry in 2022, we can delve into the level of trust that members have in the industry. This involves comparing pensions to other financial industries and analysing how trust has evolved over the past year. By doing so, we gain a more nuanced understanding of the public's perception of the pensions industry and can identify areas for improvement.

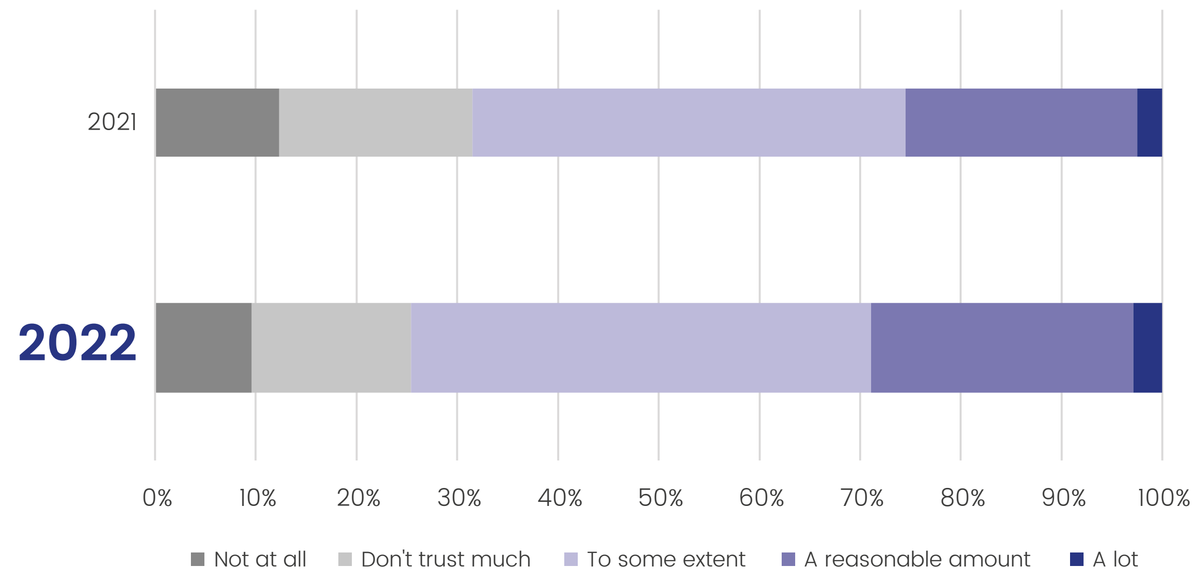
Trust in pensions

There has been a shift away from the lowest scores this year, with 'not at all' down 2.7% and 'don't trust much' down 3.4% - a combined 6.1% fall in negative trust responses

2.7% of this shift is reflected in a higher moderate score for 'to some extent', while the combined positive score for 'a reasonable amount' and 'a lot' has risen by 3.4%

Although this shows positive progress, it still means more than one in four people (25.4%) don't have enough trust in the pensions industry.

To what extent do you trust the pensions industry?



The positive score remained fairly static, only falling from 14.9% to 14.6%

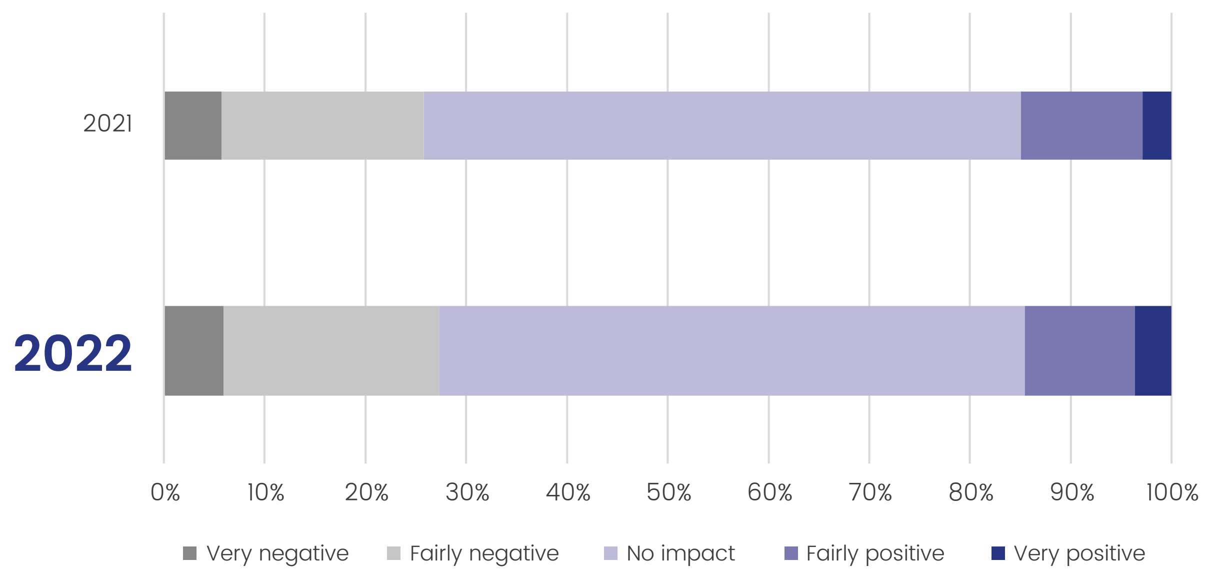
How does this trust in pensions affect how you feel about your level of savings for retirement?

After a positive shift last year, this time more people told us their trust, or lack of, in pensions has a negative impact here – from 25.8% to 27.3%.

The positive score remained fairly static, only falling from 14.9% to 14.6%.

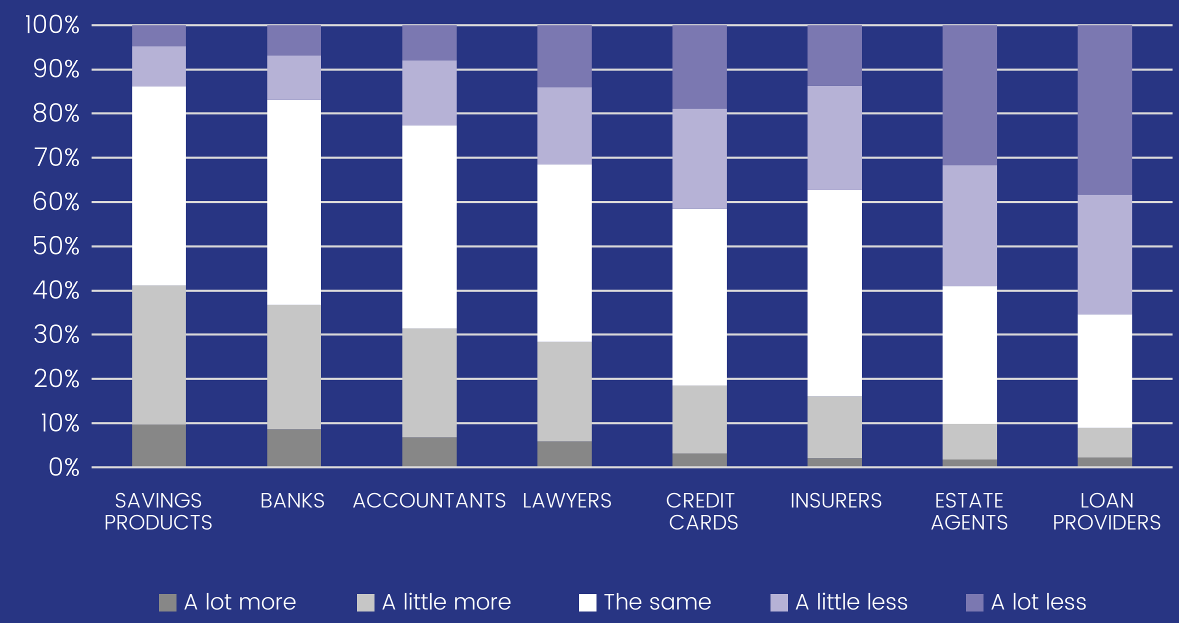
That means almost six in 10 (58.1%) say the industry has no impact on their retirement savings, which points to a need for more member engagement.

Impact of your trust in pensions on your savings amount



Trust in other industries compared to pensions

How much more or less do you trust these industries in comparison to the pension industry?

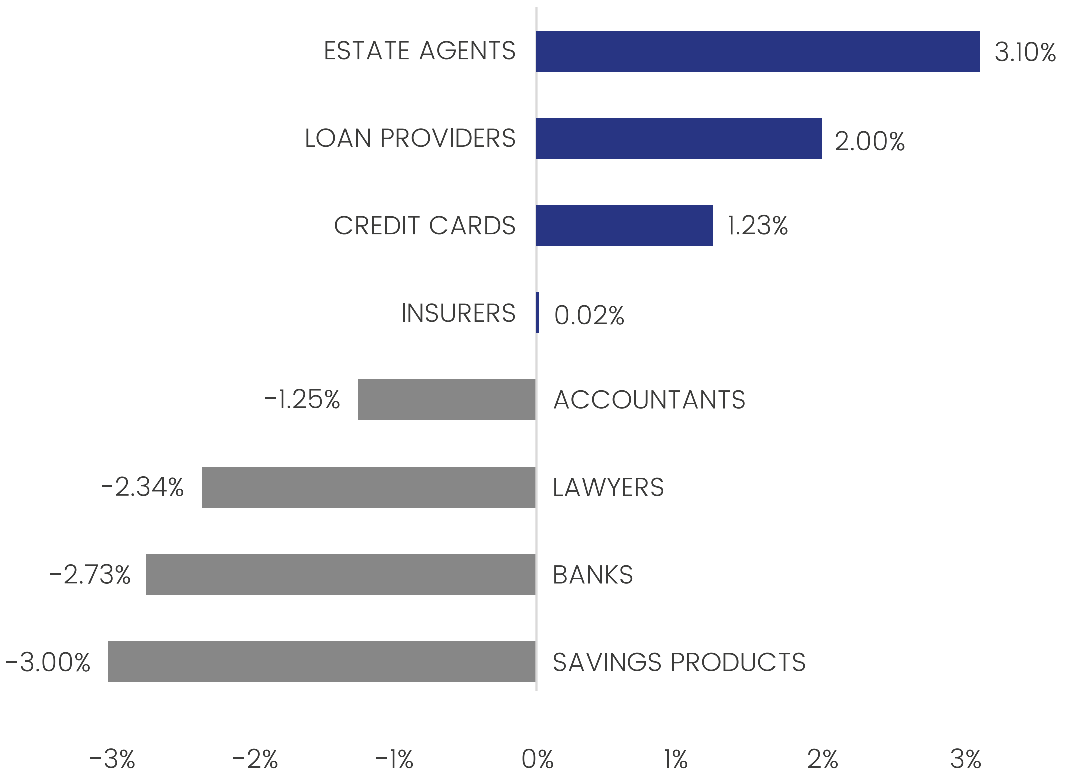


Despite overall trust in the pension industry increasing, it still sits in fourth place overall in this part of the research.

Once again, a greater number of people trust savings products, banks and accountants more than pensions, while the other five industries are trusted less.

When it comes to changes in this trust comparison since 2021, pensions fared better than loans, credit cards, estate agents and insurers.

% change in trust in pensions compared to other industries



Analysis and take-aways

The shift away from negative responses regarding people's trust in pensions is an encouraging sign, consistent with the overall improvement in the Trust Score. However, this positive trend should not obscure the fact that there is still significant work to be done in addressing the underlying issue of how the lack of trust is impacting people's savings plans. This remains one of the most important lessons to be drawn from these results.

Furthermore, the pensions industry still lags behind banks and savings products in terms of where people feel their money is safest. This highlights a critical area of engagement that the industry cannot afford to ignore, as it is essential to rebuild trust and provide assurance to members. By continuing to prioritise member needs and focusing on transparency, communication, and accountability, the industry can work to gain back the public's confidence and reinforce the importance of pension savings for long-term financial security.

Section 4 – What impacts trust and confidence?

This section considers the elements that affect members' level of trust and confidence in the pensions industry. It covers the service offered by the pensions industry, as well as communication methods and outside influences.

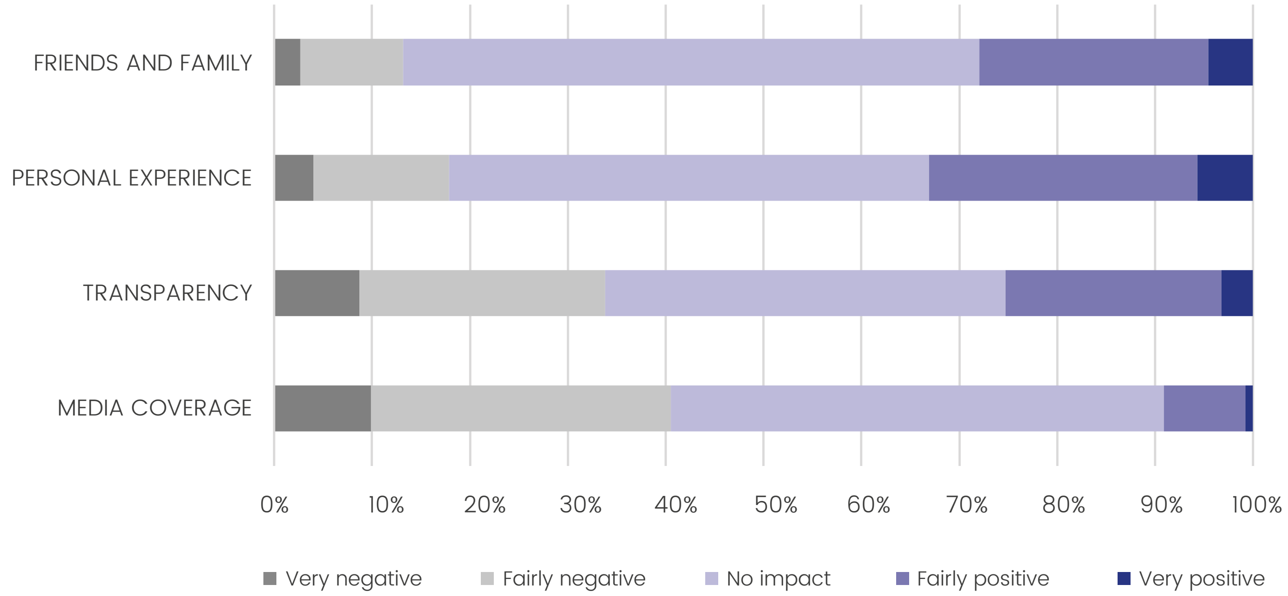
How much have these factors had a positive or negative impact on your trust in pensions?

While the actions of the pensions industry have a direct impact on creating member trust and confidence, there are also other factors that play a part.

This year's research shows more respondents expressing a view (either positive or negative) about the effects of each influence, with the number of 'no impact' respondents falling in each category.

Personal experience (+4.43%) and the views of friends and family (+2.47%) both saw a positive increase. It's pleasing to see that people are directly or indirectly, through those close to them, sharing a more positive view of pensions

However, the opposite is true for transparency (-2.75%) and media coverage (-3.73%), with negative scores increasing since 2021. Now, four in 10 people (40.5%) say media coverage has a negative impact on their trust in pensions.

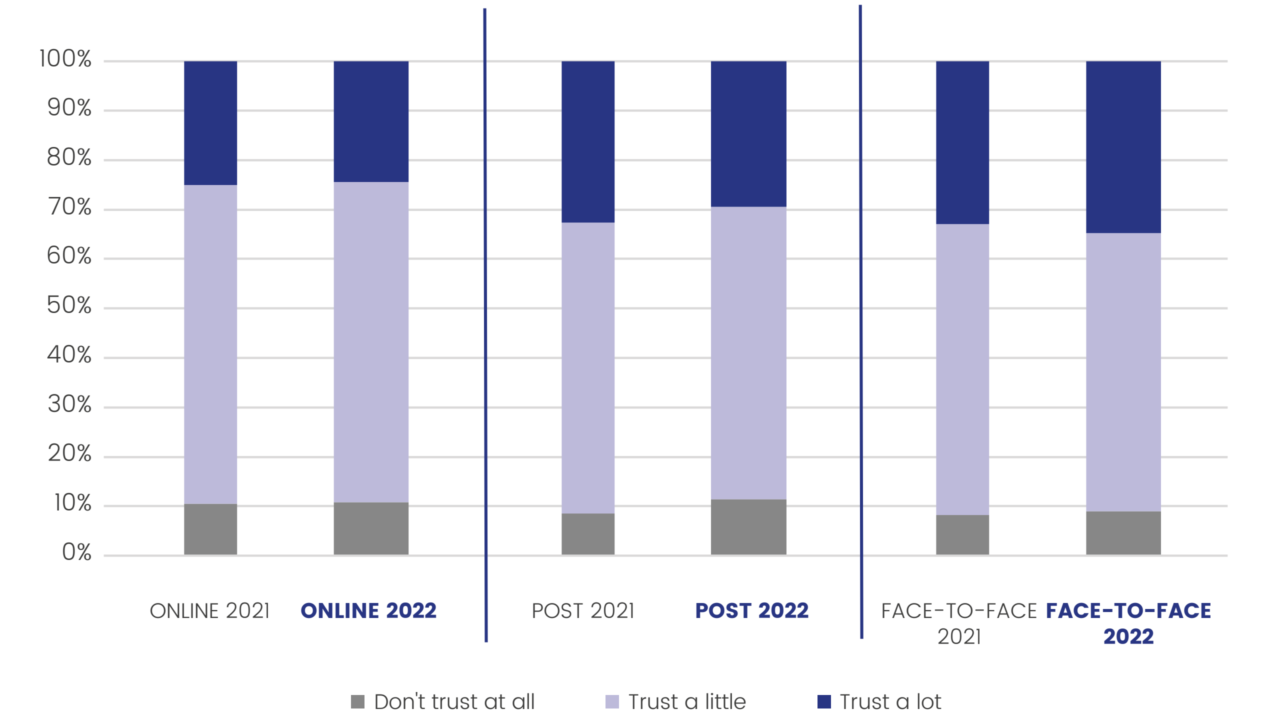


How much do you trust these types of communication?

As in previous years of this research, online communication has held its own against more established communication methods. And, for the first time, there are now more people who say they don't trust postal communications (11.40%) than online ones (10.76%).

Post has fared poorly overall, with a fall of 3.15% in those trusting it a lot, and a rise of 2.87% of those saying they don't trust it at all.

Face-to-face interaction scored slightly better than 2021, a rise of 1.87% in those trusting it a lot.



The importance of good service

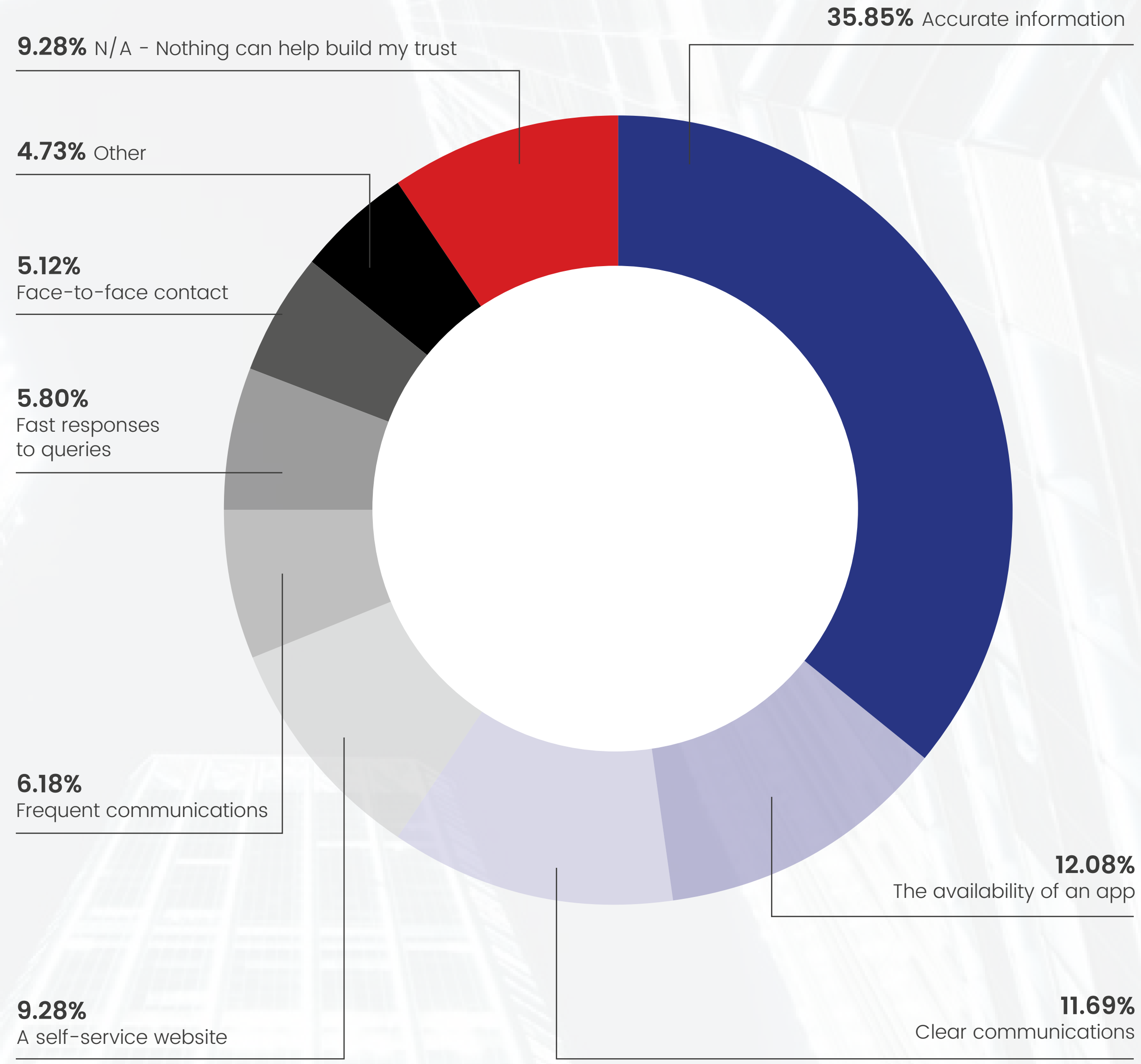
This year, when looking at the service provided to members by the industry, we asked for the most important factor in building their trust in pensions.

Accuracy was the clear winner, with over a third (35.85%) choosing this as the most important. Clear communication also scored well, with 11.69% of the vote.

It's also evident that technology is important to members, with an app (12.08%) and self-service website (9.28%) among the top results.

Worryingly, however, one in 10 (9.28%) say there's nothing that can help them build trust in pensions.

Most important factor for building trust in pensions

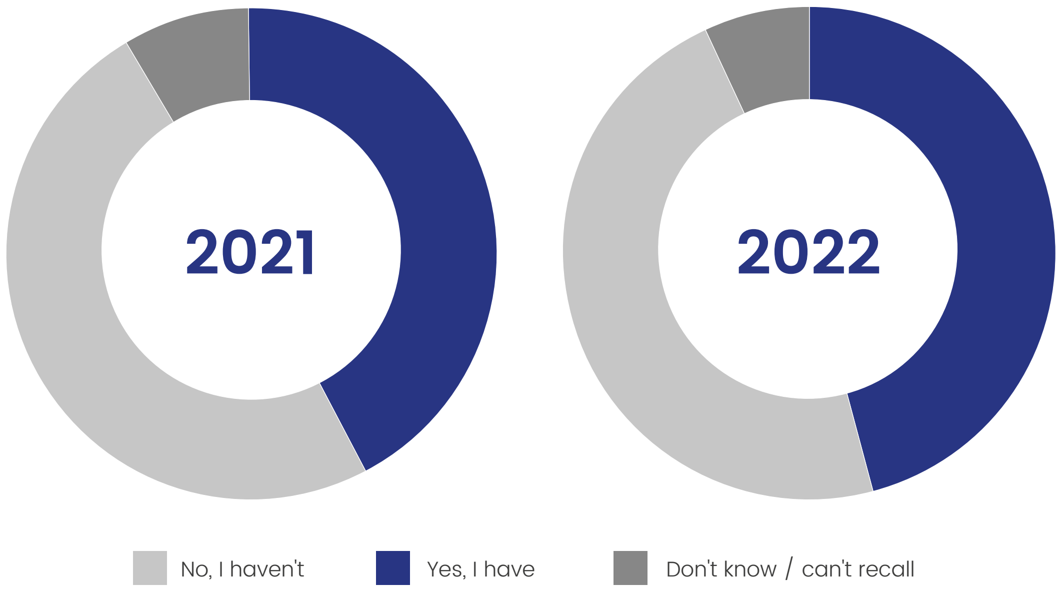


Interacting with pensions

To work out where this feeling of trust or mistrust is coming from, we asked people who had a pension if they had interacted with it either actively (through requesting something from their provider) or passively (through receiving a communication from their scheme) in the past year, and how they felt about the experience.

2022 saw an increase in the number of people who had engaged with their pension (+3.44%).

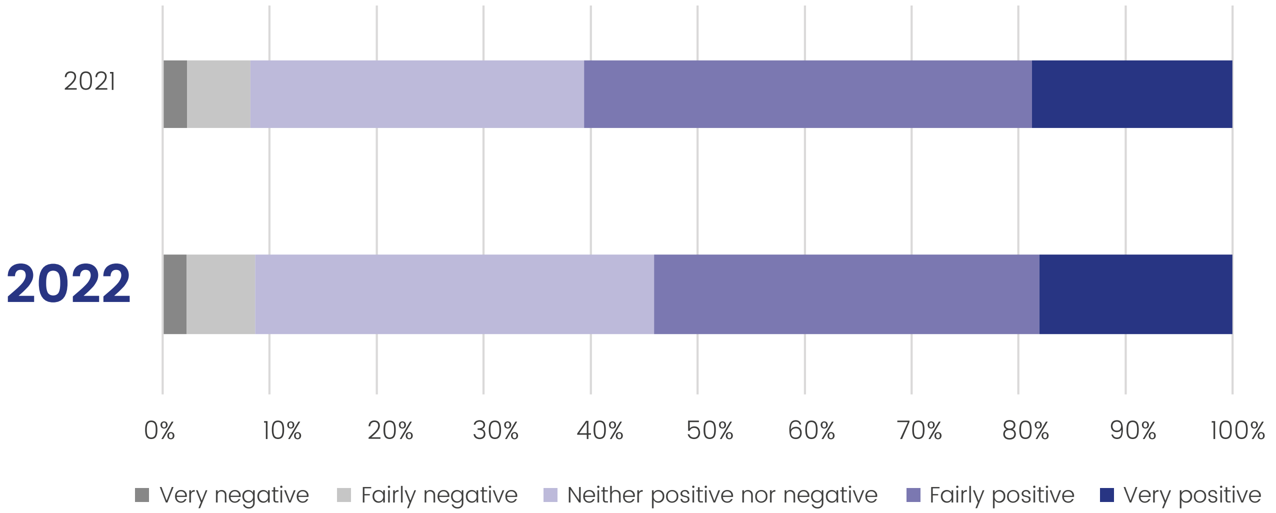
However, knowing that all members should receive at least one communication from their scheme a year, the number of people who said 'no' or 'don't know' is very surprising. Does this show people don't open post from their scheme, or, perhaps worse, read it but don't remember it?



Of those who had interacted with their pension scheme, over half (54.06%) still said their experience was positive, but this was down from 60.61% in 2021.

This shift has largely come from people reverting to a neutral answer, as negative scores have remained almost static around 8%.

How was your experience of engaging with your pension?



Analysis and take-aways

Improving the member experience must be at the forefront of our efforts, as we work to address the key issues identified in this research.

One of the primary takeaways from this study is that accuracy is essential to members, and it should be the bare minimum standard for their experience. While we have seen some improvement in this area, there is still a long way to go to ensure that members feel confident in the accuracy of their pension arrangements. By prioritising transparency, accountability, and effective communication, the industry can work to rebuild trust and provide a better experience for members.

Effective engagement remains essential, given that over half of people surveyed do not recall interacting with their scheme in the past year, despite mandatory communications being issued. This suggests that pensions communication may not be resonating as well as it should, and many members are not actively engaged in their retirement planning. This highlights the need for more creative and innovative communication strategies that will capture members' attention and encourage their active participation in their pension planning. By doing so, the industry can help members feel more in control of their financial futures and provide better retirement outcomes.

Section 5 – Members' own decisions

This section again 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.

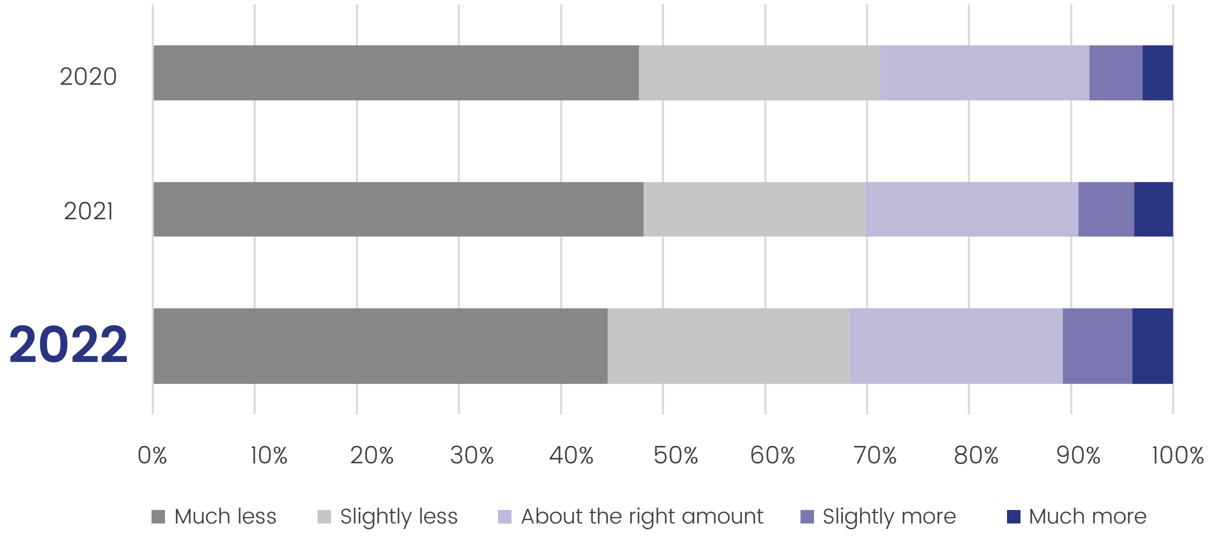
Sufficient savings to retire when planned

Interestingly, there was a small shift in positive scoring, with those saying they have more than enough for retirement rising from 9.32% to 10.81%. When adding the 20.91% who say they have the right amount, it means almost a third (31.72%) believe they are well-catered for. This is up from 30.16% in 2021 and 28.72% in 2020 – so the continuing trend is positive.

This has meant a fall in the people who felt they did not have enough. In 2022, 68.28% felt they will fall short at retirement, compared to 69.84% in 2021 and 71.28% in 2020. Again, this scoring is trending in the right direction, but is still a very poor result.

One slightly brighter note in this negative result is the shift from 'much less' to 'slightly less'. 'Much less' fell by 3.51% in 2022, with 1.95% of this moving to 'slightly less'.

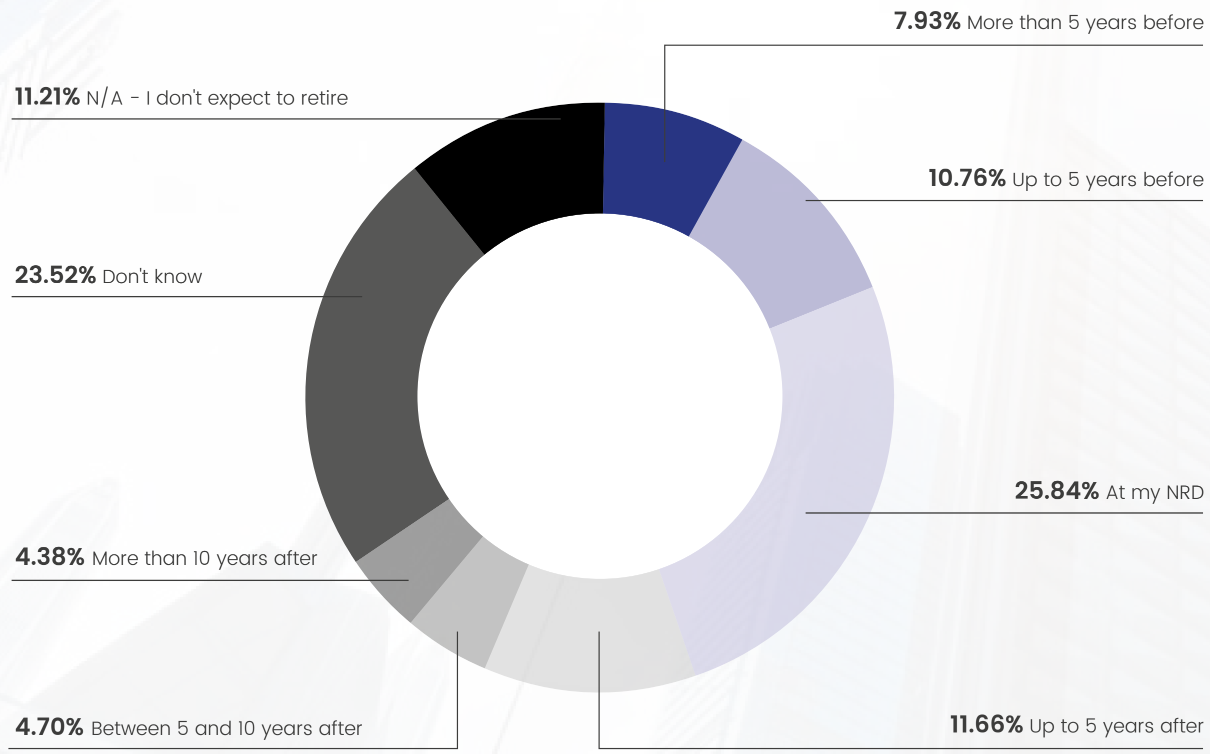
Confidence in having what you need to be comfortable in retirement



When will people retire?

This year, for the first time, we also asked whether people felt they would be able to retire at their Normal Retirement Date, earlier, or whether they would have to retire later.

When people expect to retire



Despite the difficulties with saving, especially in recent years, almost one in five (18.69% combined) believe they will be able to retire early, with a further 25.84% thinking they will make their NRD successfully.

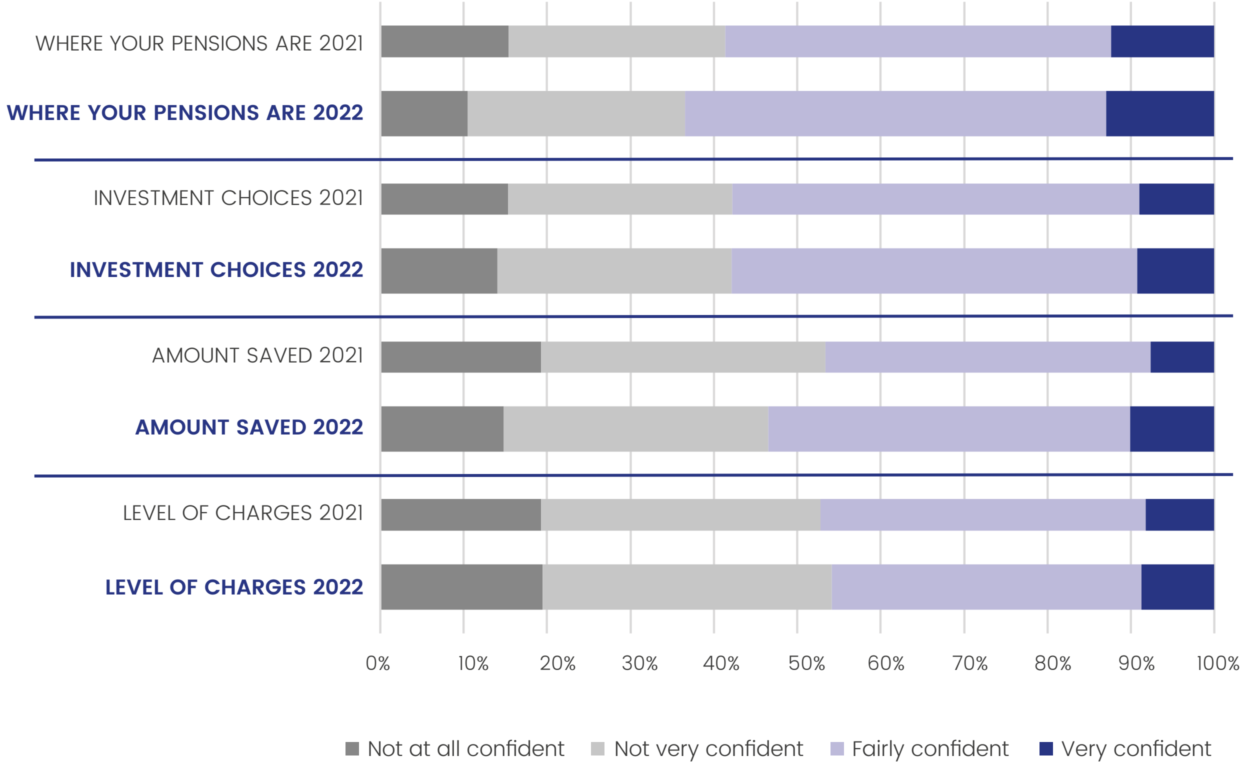
On the other side, however, one in five (20.75%) believe they will need to retire late, with a further 11.21% thinking they will be unable to retire at all, and a quarter (23.52%) unsure. This means over half (55.48%) have little or no confidence that they will be able to retire on time.

How confident are you that you made the right decisions?

As with previous research, member confidence in the role they play themselves remains significantly higher than their confidence in the actions of others. There are, however, still large numbers who lack confidence in their own choices.

This year there are two noticeable positive shifts. Firstly, almost two thirds are now confident with where their pensions are held (63.43%), up from 58.53% in 2021 – a 4.8% rise. Secondly, now a majority are confident in their own decisions for the amount saved, after a rise of 6.87% of votes. Now 53.46% are confident, compared to 46.59% previously.

Confidence in investment choices has remained static (57.85% compared to 57.78% in 2021), while confidence in the level of charges they pay has fallen very slightly to 45.90% from 47.21%.



Analysis and take-aways

Addressing the pensions deficit issue for many members is a long-term challenge, but incremental progress is encouraging. The trend of an increasing number of people who feel they have enough savings for retirement is positive, and it is up to the industry to sustain this momentum.

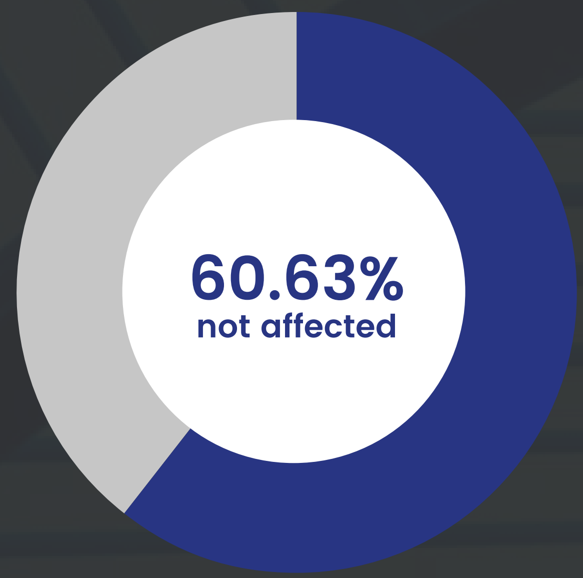
Achieving this goal requires more effective engagement with members, which will also facilitate support for them to retire at or near their normal retirement age. However, to accomplish these aims over time, engagement must begin at a much earlier stage rather than when people are close to retirement. By providing early education and resources that encourage proactive pension planning, the industry can help members make informed decisions about their retirement and achieve their long-term financial goals.

Engagement is also crucial in building member confidence in their decisions. Although members' confidence in their pension arrangements remains one of the most positive scores in the research, it is essential to determine whether this confidence arises from a lack of understanding of other options available or insufficient knowledge and engagement with their pension plans. By providing more comprehensive education and support, the industry can empower members to make more informed decisions about their retirement planning and encourage greater confidence in their choices.

Section 6 – The impact of cost-of-living increases

The new section of our research for 2022 focuses on the ongoing cost-of-living crisis in the UK. With stresses on household income, we wanted to assess the impact this has on people either saving towards or already in retirement, as well as how pensions compares to other spending in people's priorities.

Savers



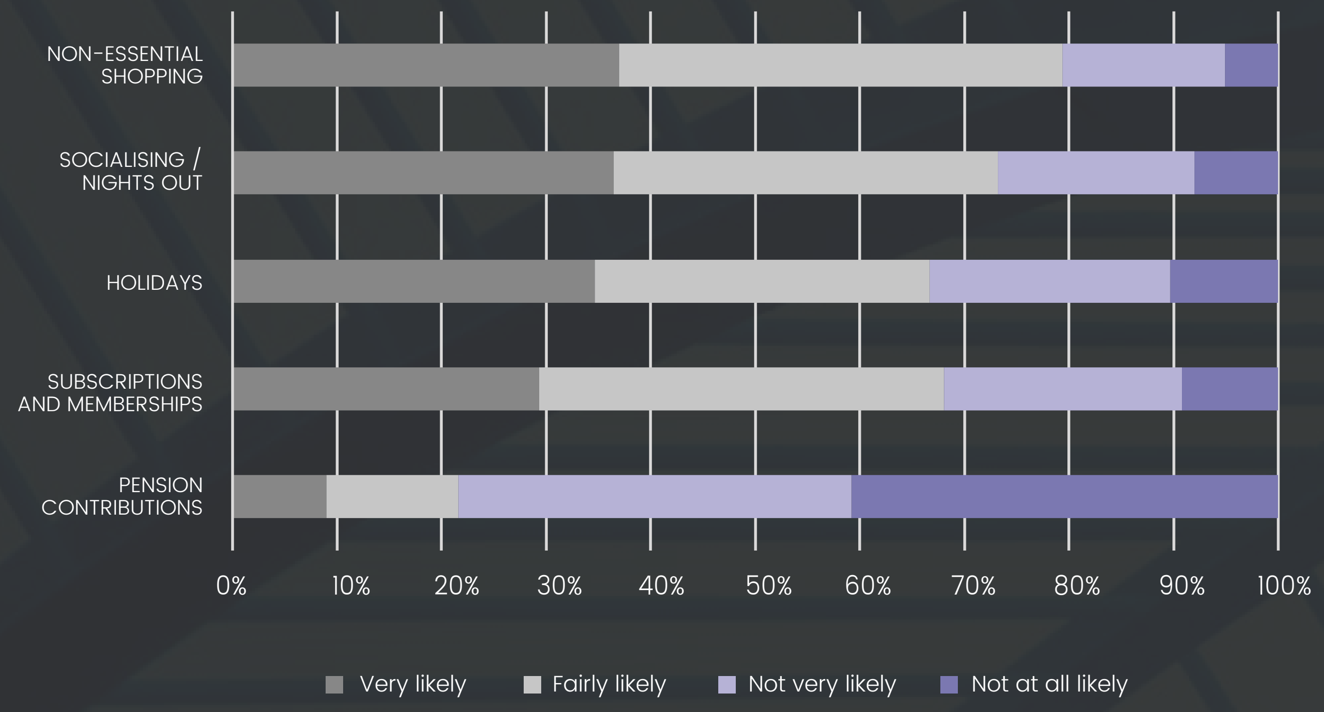
Impact on savers

Six in 10 (60.63%) people say their pension planning has not been impacted by recent cost-of-living increases.

Of those who have been impacted, delaying plans to retire is the most common - with 10.43% doing so because of the need to keep earning money. Meanwhile 7.17% feel they need to ensure their benefits cover their living costs in retirement.

We then asked savers about the kind of spending areas that may be impacted and how likely they would be to give them up as a result of cost-of-living increases.

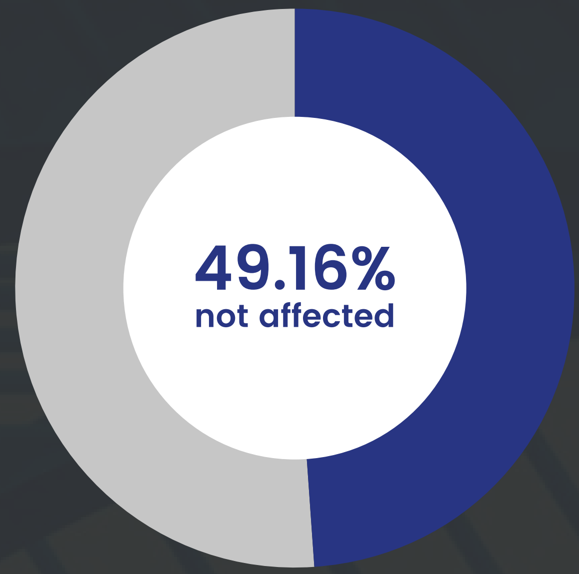
How likely are you to cut back on these due to higher living costs?



Four in five (78.39%) say they are not likely to give up making pension contributions, though that leaves one in five (21.61%) that will potentially need to do so.

As expected, pension contributions score significantly better than other everyday spending areas.

Pensioners



Impact on pensioners

For pensioners, almost exactly half say their retirement benefits have not been affected by rising living costs. However, of course, this means that half have been impacted.

More than a quarter (27.82%) of respondents say they have reduced their discretionary spending to make sure their pension benefits go further to cover living costs. Meanwhile, one in six (16.74%) have had to use other savings or income to top up their pension benefits to cover these higher day-to-day costs.

Analysis and take-aways

It is unsurprising that pensioners are feeling a more significant impact from rising living costs than wider savers, given their limited time and opportunities to make changes to reduce the impact. The research highlights the challenging time that many pensioners are facing, without the ability to earn more money or delay their plans to ride out the living cost storm.

In contrast, savers have more chances to adapt to the cost-of-living increases they face. The research shows that reducing discretionary spending in various areas of daily life is an option for the vast majority of savers. Others may be able to make small adjustments to their benefits and retirement age plans that offset the increased costs they face.

In both cases, early engagement and support from the industry could be valuable in helping savers and pensioners make informed decisions and prepare for their financial futures. By providing education, resources, and advice on options that are available, the industry can help savers and pensioners manage the impact of rising living costs and improve their long-term financial security.

The 2022 research results indicate a mix of positivity and caution.

Section 7 – Summary and conclusions

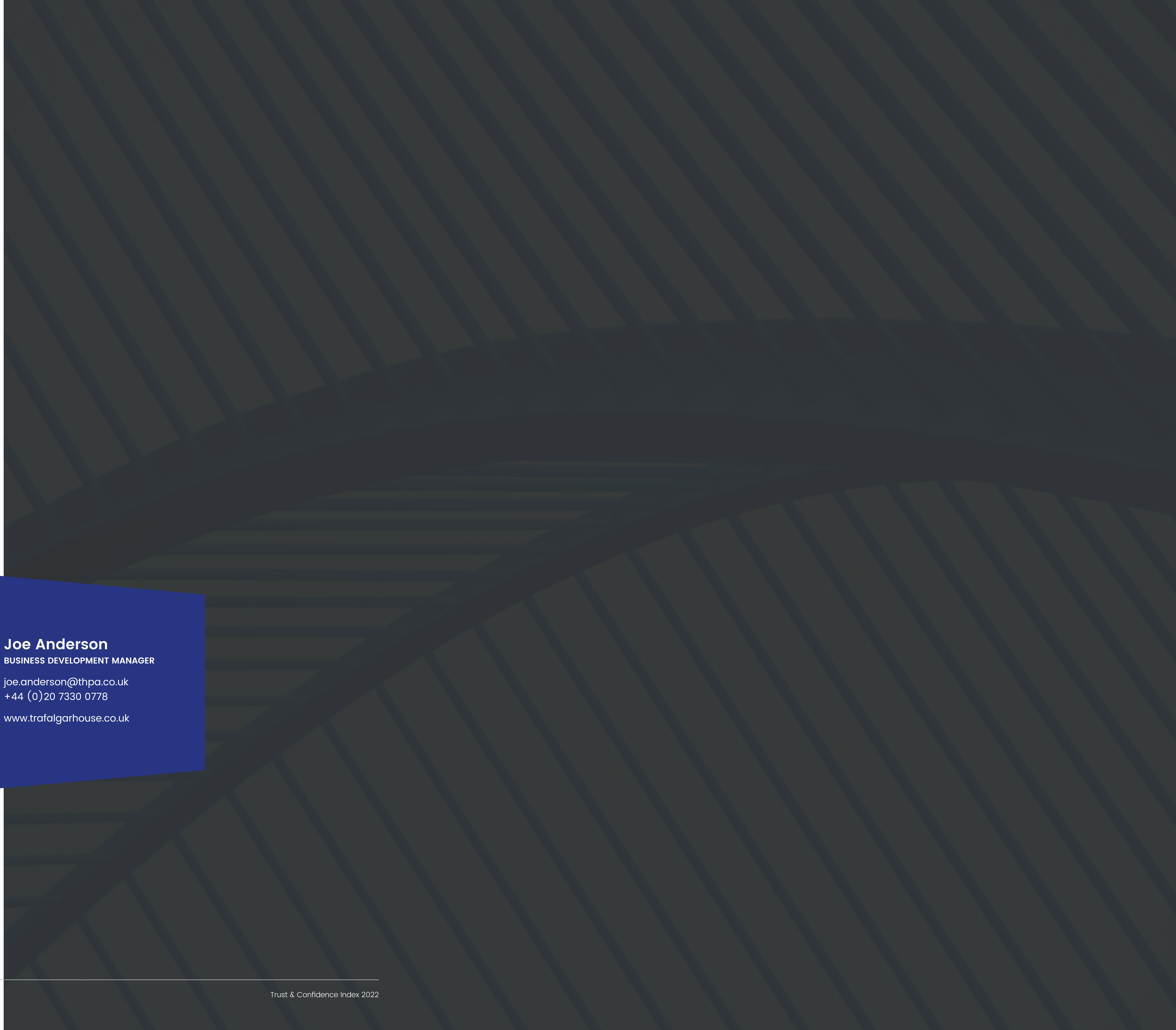
The 2022 research results indicate a mix of positivity and caution, reflecting a sense that some aspects of the pensions industry are moving in the right direction, but many members still lack confidence in their ability to realise the benefits for themselves.

In the immediate future, the focus should be on sustaining and building on the areas of improvement and transforming them into a longer-term trend of trust, confidence, engagement, and reliability. To achieve this, it is essential to pay attention not only to positive and negative scores, but also to the responses of members who feel ambivalent, mediocre, or disengaged. Action must be taken to encourage communication, engagement, and action from these members, who may view their pension as a background necessity rather than a long-term opportunity.

As we have learned from the financial crisis, the COVID-19 pandemic, and the current cost-of-living situation, there will always be hurdles that impede members' ability to achieve their retirement aims. Therefore, it is the industry's responsibility to help members react and protect themselves through greater understanding and interaction with their retirement savings.

Moreover, the industry must strive to deliver what members expect: accuracy, reliability, and timely support. While members do not necessarily desire a large volume of communication, they crave accuracy, reliability, and support from the industry, which is not an unrealistic standard to meet.

Although we have seen positive progress across three research reports, this progress is from a poor starting point. Therefore, the industry should not be satisfied with these results, but rather use them as motivation to continue improving their service to members of all types.



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