

2020 TRUST & CONFIDENCE INDEX





FOREWORD

BY

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Trust is a powerful force. It has the power to shape our relationships, our decisions and, in doing so, our futures. Trust in financial services is often only considered in terms of macroeconomic market influences - as confidence in markets rise, so does the value of its stock. A trust transaction. Investors trust that Governments and businesses will meet their targets and see their investments rise, but we rarely ever consider the power of trust at a micro level.



Many conversations in the pensions market centre on how to increase engagement to motivate individuals into saving more - resting on the presumption that we know we're a safe pair of hands and pension scheme members need only need be convinced of the benefits of saving a little more. But do we ever consider asking ourselves the more fundamental question of whether people actually trust us with their money? Do the public have confidence in us managing it well and providing a low-cost, long-term return?

In many ways pensions has been playing catch up in recent years and it's widely recognised that in turnaround times, quality, jargon and engagement, the industry needs to work harder. There are, of course, many excellent examples of exceptional service - and there are a range of experts throughout the industry who are making a difference - but as pensions takes one step forward, the world takes two.

Something firmly within our control is the standard of service we, as an industry, provide to pension savers. This is something where our commitment should remain unquestionable, that they will trust us with their life savings and have confidence that we are always on their side to maximise the opportunities they will have at retirement and beyond.

It's here where the focus of our research lies and where we investigate the attitudes of the public towards their interactions with the pension industry. What impacts their feelings towards pensions, their wider financial trust and how they believe their own decisions have played a part.

We believe it's essential to take a regular look at how the industry is performing in this way, and to achieve this via truly independent responses from the wider general public - rather than scheme members to which we already have a connection. That's why we've created a new index of 'trust and confidence in the pensions industry'.

In creating this annual Index, we will be monitoring progress from the industry in creating trust and confidence in the people we are ultimately working for. We will also use elements of the analysis to help identify areas of service where we still have work to do and where the industry is making progress.

For this initial 2020 Index, given the dramatic change in the world that the Coronavirus pandemic has made, we have undertaken research both before and after the virus took hold. This has helped quantify just how much impact it has had on people's confidence and ability to save and, in later Indices, gauge its lasting effects.

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Index introduction and the 2020 Trust Score

The Trust & Confidence Index 2020 (“The Index”) is the first of a new 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 independent respondents, how much the industry is trusted and how much confidence people have that the industry is doing the right things and positively supporting their efforts towards achieving better retirement outcomes.

The Index will present an overall headline Trust Score each year that combines the ratings given by respondents for how much they trust the industry. In each subsequent year to this inaugural Index, the Trust Score will be compared to the previous year to show the changes in trust levels in either direction.

Further elements of the Index analysis will be divided into three distinct sections:

- 1. Trust in the pensions industry** – This will consider the fundamental question of how much people trust pensions providers, as well as how this trust impacts people’s retirement savings. It will also compare pensions to respondents’ trust levels towards other financial services industries to capture a wider trend
- 2. What impacts trust and confidence?** – This section will focus on the influences of outside factors on the trust people have in pensions, as well as how different communication methods affect views. This part of the Index will also rank the elements of service provided by the pensions industry that respondents tell us are most important to them
- 3. Members’ own decisions** – The final section will look at members’ confidence in their own choices for some of the key decision areas they face, and also their confidence in the level of savings they have built up for their retirement

We believe the combination of these elements gives the Index a wide-ranging view of where trust and confidence is being gained and lost by the pensions industry, and where some opportunities and obstacles lie in improving the confidence people have in the sector.

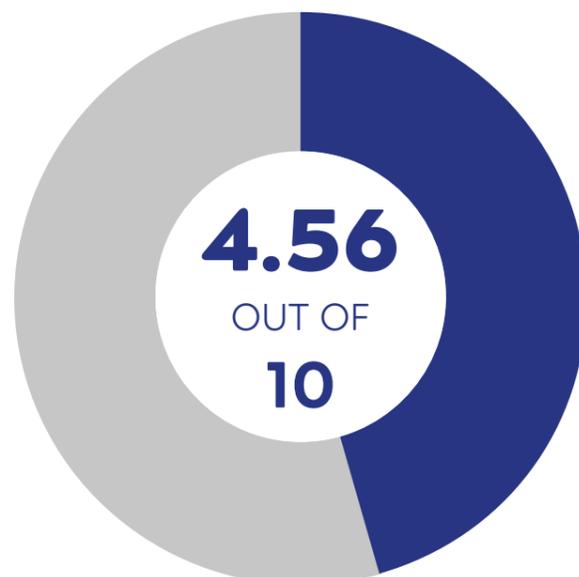
The first part of the research was carried out from 3-4 February 2020, where 2,033 people were surveyed. Due to the impact of the Covid-19 pandemic, a second set of research figures were secured from 28-29 September 2020, surveying a further 2,112 people. The surveys were undertaken online by YouGov Plc and are a weighted representation of adults in Great Britain aged over 18.

In each case throughout this report, the figures represent those people who actively selected one of the scale of response options available.

Future versions of the Trust & Confidence Index will survey GB adults in September of each year, with the Index report and findings published in January.

The 2020 Trust Score

Having asked all of our 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’, we have produced an average 2020 Trust Score for pensions of 4.56.

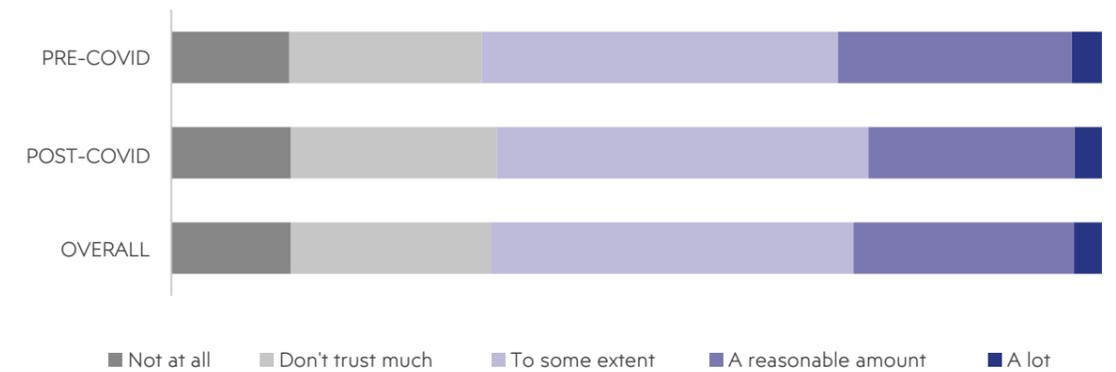


Section 1 – Trust in the pensions industry

Having undertaken this research and identified the overall 2020 Trust Score, our aim was now to dig deeper into this level of trust and confidence to show the broader picture of the general public’s views on the industry. This section will address the fundamental question of trust in the pensions industry itself, as well as how pensions compares to other financial industries when it comes to member confidence in their capabilities.



Trust in pensions



Our research showed that over a third of people (34.3%) surveyed said they had either no or very little trust in the pensions industry. As the fundamental headline of our Index, this figure is quite simply too high and needs to change.

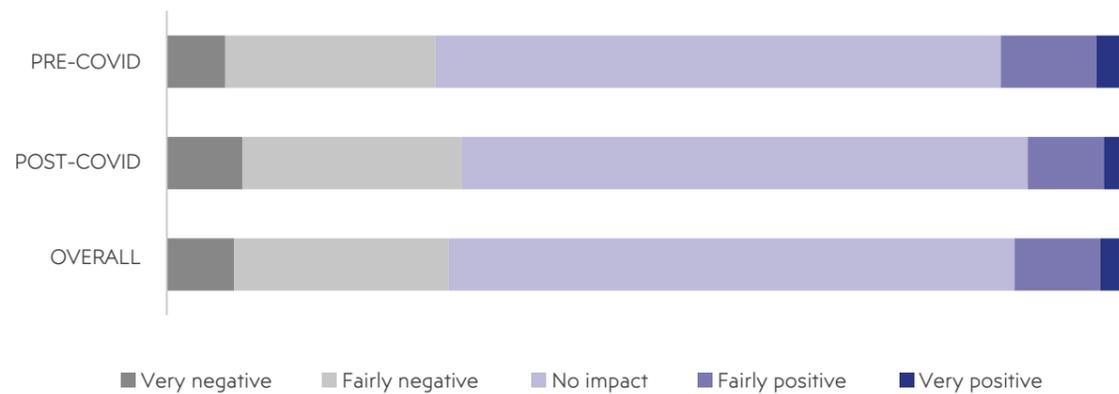
Only just over a quarter of those who gave a response said they trusted our industry a reasonable amount or a lot. While it is encouraging to get these responses from this group of people, this should be the norm not the exception for an industry geared towards member outcomes.

It is perhaps unsurprising that the Covid-19 pandemic has exacerbated the situation somewhat. With the lack of trust rising from 33.4% to 35.0% of those questioned after the pandemic had set in, and a fall twice as large in those who trust our industry.

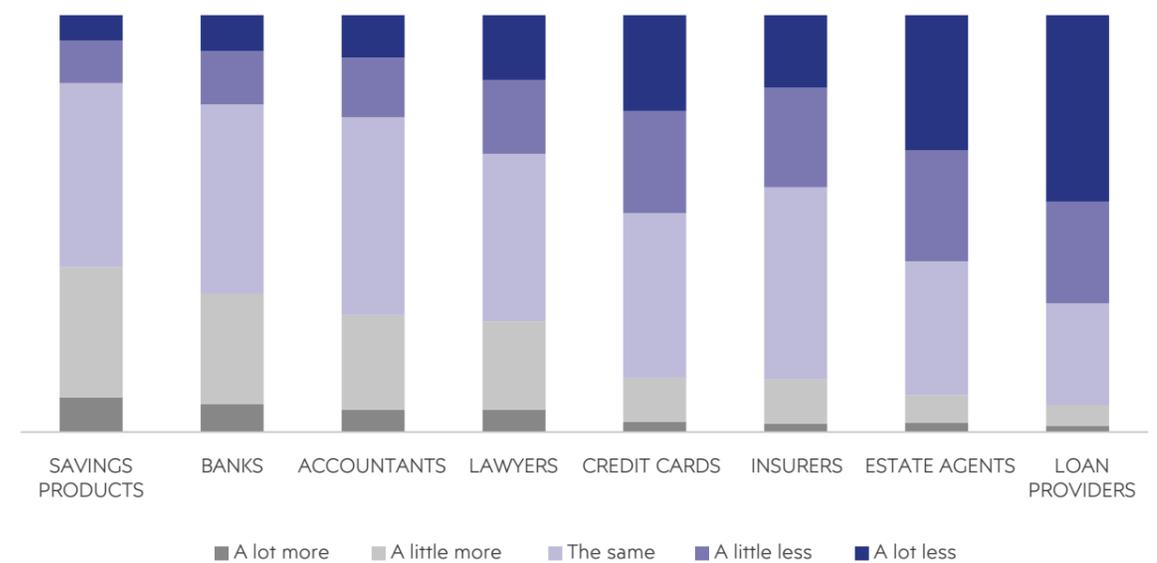
The number of people saying they have little or no trust in the industry is quite simply too high - and needs to change.

Once again Covid-19 had an impact on the feelings of those we approached

Impact of your trust in pensions on your savings amount



Trust in other industries compared to pensions



The concerning results continue, with only one in nine people surveyed saying that their trust in the industry had a positive impact, either very or fairly, on how they feel about having enough for their retirement.

This is a worry, as even if people feel they are unable to save enough themselves, the industry should at very least have a positive impact on showing ways members can make saving affordable and how to maximise the gains from their decisions. The near 60% of respondents saying the industry had no impact are not to be celebrated either, as this still falls below what we should expect.

The standout figure, however, is that three in ten people (29.6%) actually cite their trust – or lack of – in pensions as having a negative impact in this area. This should be one of the biggest red flags to the industry to show that a new approach is needed. We will come onto the potential reasons for mistrust later in this report, but it is clear a change and solution is overdue.

Once again Covid-19 had an impact on the feelings of those we approached. There was a 2.8% fall in those positive cases, matched by a rise of the same amount in those feeling the industry was a negative influence.

While looking at our own industry, we also wanted to compare and contrast people's trust and confidence in other areas of financial services and transactions – in order to build a picture of whether this was a wider phenomenon.

On a more encouraging note for pensions, of the eight other industries we asked people about, only three were trusted more than the pensions industry overall. Savings products, banks and accountants received more favourable trust figures when people were asked to compare them against their trust in pensions.

Respondents had less confidence in the five other industries – lawyers, credit cards, insurers, estate agents and loan providers – than they did in pensions. So, while pensions' own trust scores make difficult reading, there is a more positive point that the industry is one of the more trusted in the financial sector at the present time.

Section 2 – What impacts trust and confidence?

This section will look at what elements both inside and outside the pensions industry affect members' level of trust and confidence. Here we will address issues of external influences, communication and service to shape what is important to members and where their feelings of trust come from.

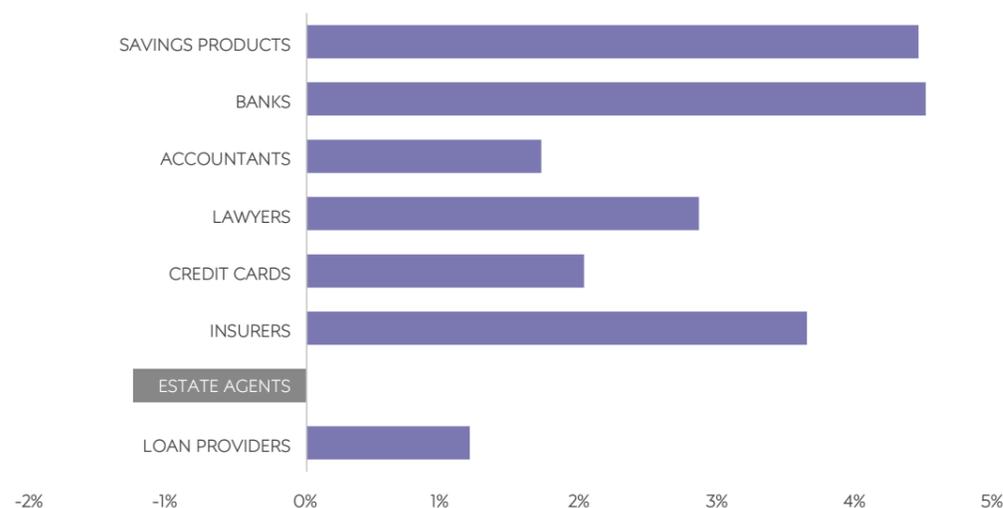


Having looked at the impact of Covid-19 on pensions, we also wanted to look at how the change in trust compared to the other industries throughout the pandemic.

Again, this provided a small ray of positivity, as pensions improved its comparative trust against

seven of the eight industries. Only estate agents scored better against pensions from post-Covid-19 respondents than from those before. It also meant that although pensions remained less trusted than the three industries above, it did close the gap in this period.

% change in trust in pensions compared to other industries

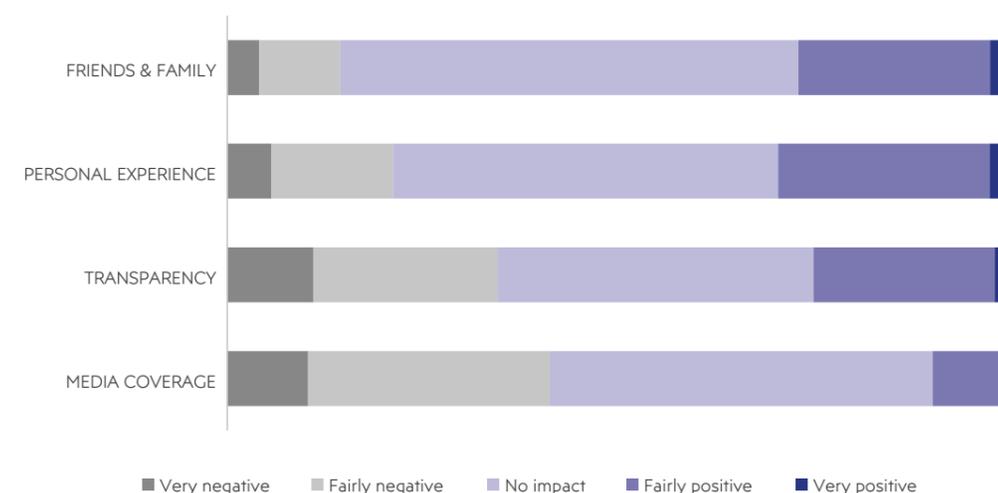


ANALYSIS AND TAKE-AWAYS

There is a significant amount of work for the industry to do to regain people's trust. Whether this is down to pension scam stories or simply a mindset of not trusting money locked away for so long, something needs to change. Worse still, people believe their lack of trust in the industry has a negative impact on their confidence in their own retirement savings. The industry collectively isn't doing its job of creating confidence, which needs immediate attention.

It is clear from the research, however, that wider confidence in financial services is falling – so it is not exclusive to pensions. In fact, pensions were one of the least affected of the chosen industries in terms of the change in confidence levels pre- and post-Covid. As pensions continues to look to other industries for inspiration on how to improve customer service and experience in a modern digital world, we must also look at lessons from industries where there is a lack of trust and dissatisfaction with service levels.

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



The issue of transparency is a concern

While it is never easy to see that anyone feels negative towards pensions, it is encouraging that people's own personal experience shows more favourable figures. This represents, of course, a direct link between them and their pensions and one that the industry has under its control for providing a good experience. Three in 10 respondents (30.6%) gave positive feedback for their own experience in terms of how it affects the trust they have towards the industry. The fifth of people (20.9%) feeling their interactions with their pensions have had a negative impact on their trust in the industry are a real worry however.

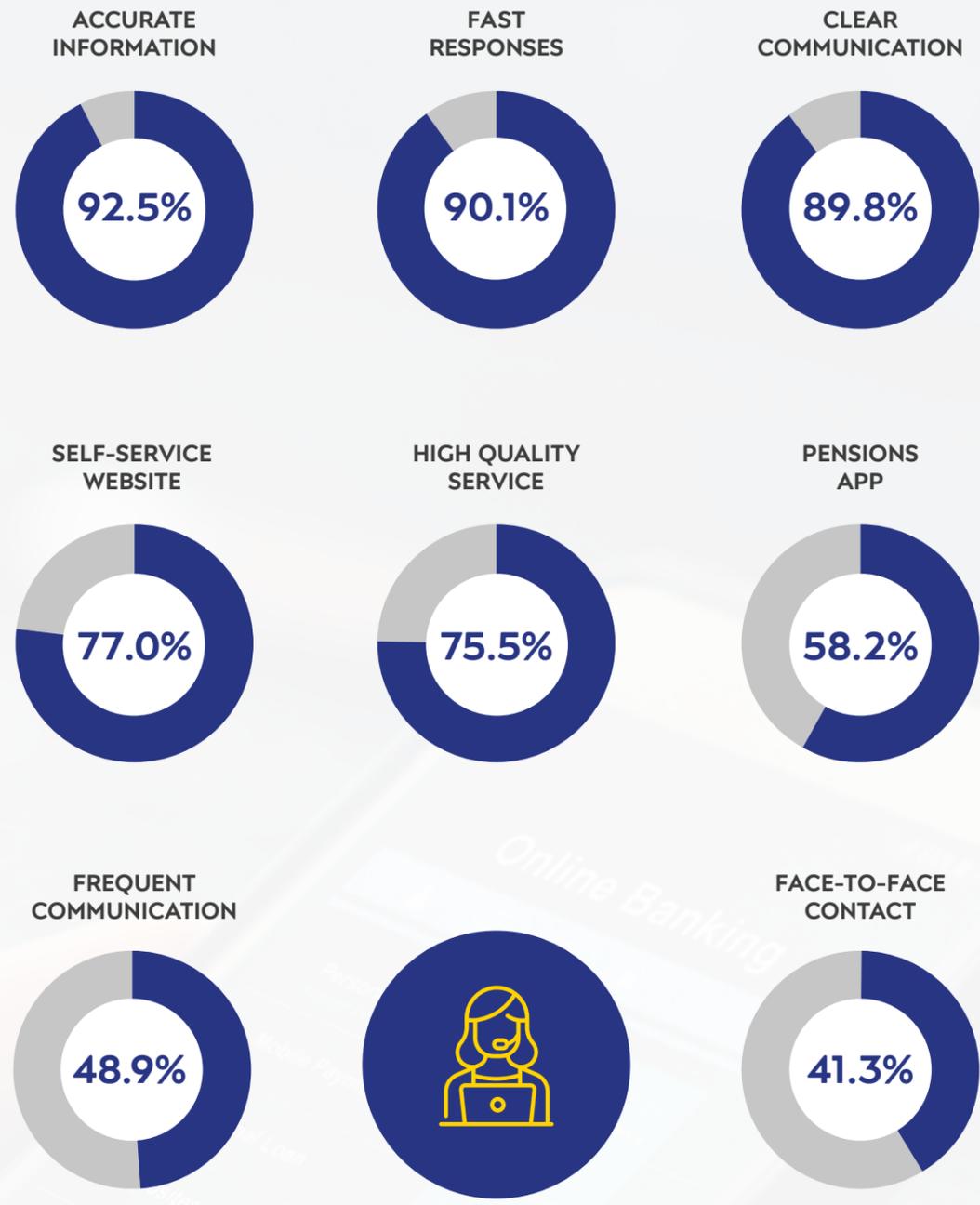
The influence of friends and family is also more positive (28.1%) than negative (14.6%), which is hopefully because of either good experiences from those other people, or through their understanding of promoting the importance of saving to their loved ones. Either way, anything that helps build trust is a real benefit.

Of concern though is the impact of transparency, or lack of it, from the industry. It is clear there are areas where people feel they are left in the dark by the industry either on processes, fees, retirement figures, or rulings and eligibility. While a quarter (26.2%) of respondents cited transparency as improving their trust, over a third (34.0%) say this negatively impacts their

confidence in pensions. Perhaps equally worrying was that transparency showed the largest change from pre to post-Covid-19 figures, with a figure 3.4% lower for positivity after the pandemic and 2.9% higher for negativity.

Something perhaps unexpected is that media coverage has a strongly negative impact on people's trust in pensions. With stories of funding issues, fees on personal pots and industry errors all gaining media attention – however fairly or otherwise we in pensions feel this is – this clearly impacts people's views on the industry. Across the respondents, four in ten (40.6%) said that media impact negatively impacted their trust in pensions, with only 11.2% saying it was a positive influence.

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

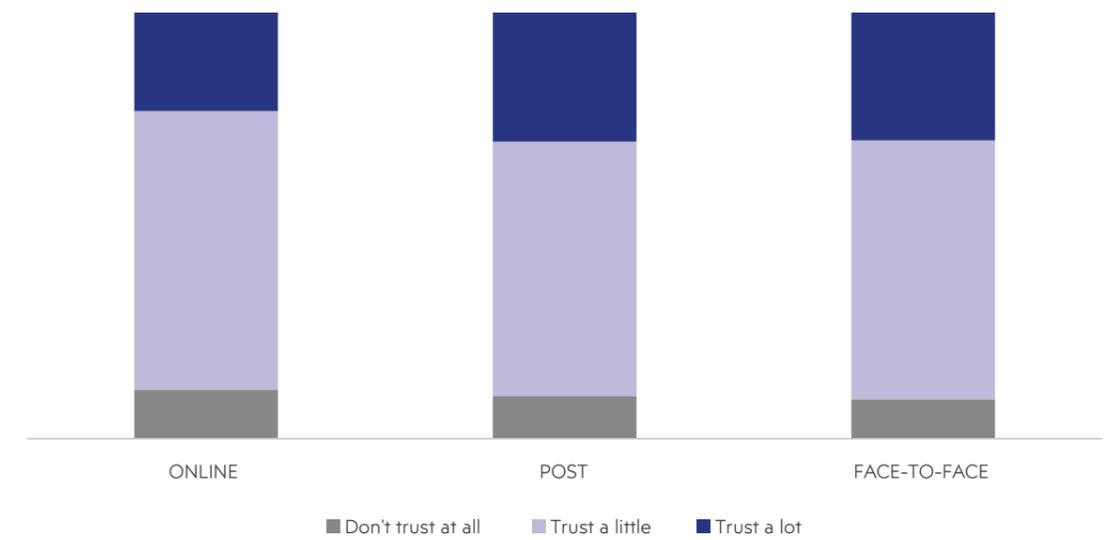


Less surprisingly, the study showed that the standards of our communication and work have a direct and substantial impact on building trust with members in the industry.

Respondents saw accuracy (92.5%), speed (90.1%) and clarity (89.8%) as the most important factors for building their trust when receiving information from the pensions industry.

Interestingly, the next most important thing cited is a self-service website (77.0%), perhaps showing that people value being able to see everything to do with their pension, and make decisions and changes, all in one easy place – rather than always relying on the industry to provide it to them. This potential inclination towards technology to engage people was also evident with well over half (58.2%) rating a pensions mobile app as fairly or very important.

How much do you trust these types of communication?



Interestingly, trust in the three types of communication - online, post and face-to-face - were fairly consistent. Around a quarter of people said they trust each of these communication methods a lot, around 60% saying they trust them a little and just over 10% saying not at all.

Although a little behind the other two methods, it is positive to see trust in online communications comparable to the more traditional formats. Given this is the future of engagement with

members, the industry should take heart from perhaps a new tranche of members who accept online more readily.

From the responses though, we should still note those who would benefit from hard copy information or direct discussions about their benefits and not always try to push members completely down the online route before they are ready.

ANALYSIS AND TAKE-AWAYS

These questions have shown not only members' expectations of speed and accuracy, but also a willingness to integrate online communications, websites and apps into how they engage with their retirement savings. It's important the industry takes notice to facilitate this and also start to consider timescales and quality that matches modern financial service standards, not just what pensions has always done before.

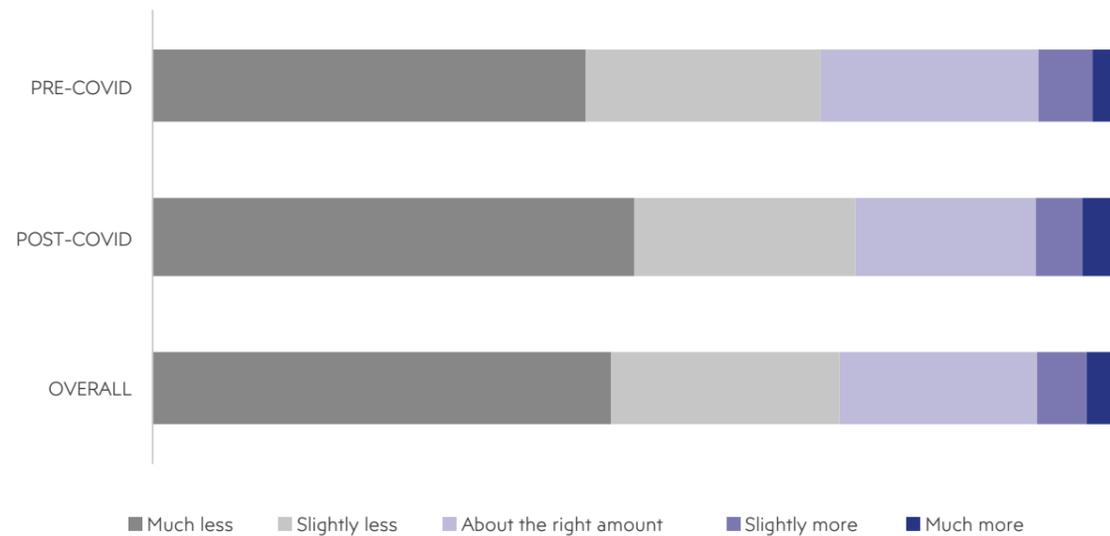
It's also crucial that the industry addresses the issues that are impacting member trust. Given the influence of people's personal experiences and those of their friends and family, a real change could be made with more focus in this area. A member will be a friend or family member for others with retirement savings, so could be an ambassador for the industry if treated well themselves. If the industry itself struggles to engage directly, getting more current savers onside to spread the positive messages could be valuable.

Section 3 – Members’ own decisions

This section will summarise a different area of the survey, namely the confidence members have in the decisions they have made themselves. We will not only look at issues of confidence more generally, but also how Covid-19 has moved the needle in terms of people’s view on their retirement finances.



Confidence in having what you need to be comfortable in retirement



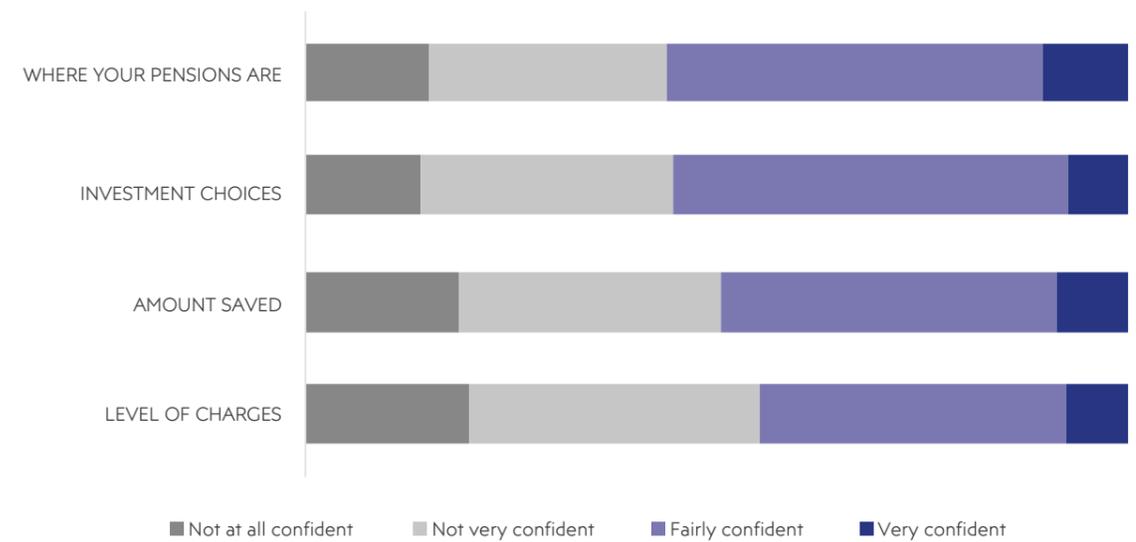
The extent of the savings issue that the pensions industry faces is encapsulated by this graph. While this depicts people’s feelings towards sufficient money, rather than actual calculations of their specific benefits and needs, it does give a clear and concerning picture of the retirement deficit looming.

If this is representative then the pension member population faces roughly a 70-30 split. The vast majority of those surveyed (71.2%), who were able to give an answer, felt they have much less or slightly less than they need, while the remaining 28.8% were confident they had enough or more than needed. The challenge for pensions will now be to help reverse those numbers.

Again, as you would perhaps expect due to its global financial impact, this confidence falls from before to after Covid among those who gave a response. Those saying they will have less than needed increased from 69.3% to 72.8% over the period. As the world returns to normal, it is important this challenge is tackled quickly by the pensions industry.

One further issue not to forget is those who didn’t know where they stood on their financial future. Of the overall respondent base for this question, 14.9% said they didn’t know whether they had too little or enough for retirement.

How confident are you that you made the right decisions?



When it comes to members’ feelings of their own responsibility for the size of their savings, almost exactly half – both pre and post Covid – are confident that they have made the right decisions. These results seem to suggest people don’t feel they are to blame for any lack of money, understanding or trust towards their pensions.

Perhaps even more surprisingly for an industry where the assumption is that many people will just go into the default funds or just accept whatever investments the scheme puts in place, more than half of those surveyed (55.3%) were confident in the investment choices they had made.

Confidence in the level of charges is also high, considering the media activity on this thorny topic and general public negativity on the wider subject of fees. 44.8% are confident in their choices regarding charges on their pensions.

Finally, there is quite strong confidence from members’ of where their money is held, with 56.1% of respondents confident they made the right decisions.

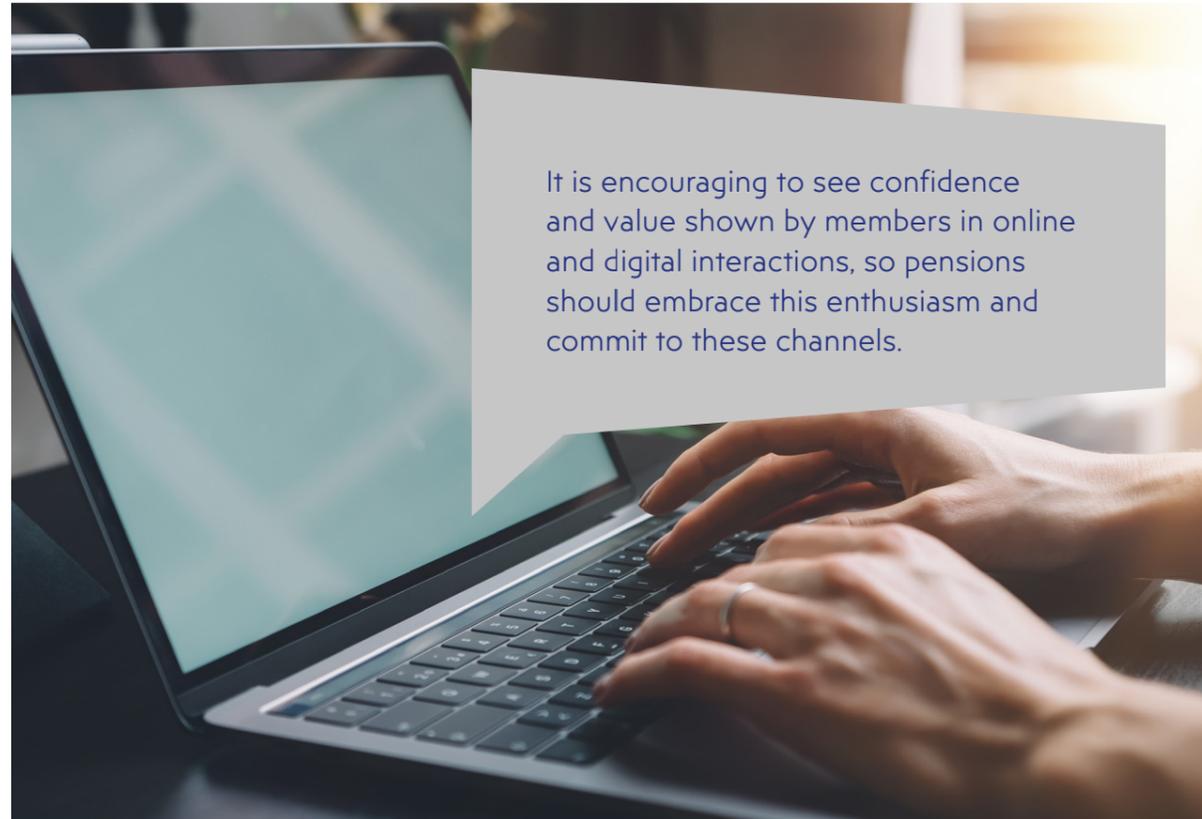
When it came to charges, investments and pot types, Covid-19 saw an impact with confidence falling by 5-6%. We would hope this confidence can now be rebuilt.

ANALYSIS AND TAKE-AWAYS

It’s obviously a concern that such a significant proportion of people feel they will have less than they need for a comfortable retirement. One worrying aspect of this is that members appear to have more confidence in their own decisions than in the industry’s ability to support them. Whether this confidence is due to a lack of knowledge of other options or simply believing they have just taken the one path set out in front of them, it’s hard to say for certain. What seems clear though is that members feel it is the industry’s responsibility to educate, engage and encourage saving to support and enhance their own decision making.

Another group that requires engagement are those who said they didn’t know if they had enough to retire on. While this can be a difficult figure to quantify, it does suggest that the promotion of modelling tools and financial advice at earlier stages than simply just ahead of retirement, would be beneficial to help this group of people plan more effectively.

Summary and conclusions



Fundamentally, trust in the pensions industry needs to improve.

There are no two ways about it, the scores achieved by the industry both for trust and confidence are lower than we should be willing to accept.

Although there could be said to be a Covid caveat in terms of the wider financial concerns that people are facing, the trust figures are simply too low and the industry needs to work hard to address it. Crucially, one thing we have seen is people see this trust as a negative impact on their retirement savings - which goes against everything the industry is trying to achieve. We need to listen to members and understand what they are asking from the industry, rather than assume they are satisfied with how we are all working.

We have seen confidence in some areas though, as respondents seem surprisingly confident in their own decisions. Whether this is more due to disengagement with the idea of shopping around between providers or having the enthusiasm and ability to make changes themselves to find the best path, remains to be seen. But we should work to build on this confidence with more support for members to inform their own decision-making.

It is also encouraging to see confidence and value shown by members in online and digital interactions, so pensions should embrace this enthusiasm and commit to these channels. Online portals have come out highly on people's requirement list and

even pensions apps are seen as a positive step. With trust in online communications growing and almost on par with traditional forms of contact, this is an area to investigate to overcome some of the negative responses we have seen.

Pensions can also take some comfort from being more trusted than a number of other industries, and also that it seems to have fared better than many others in terms of maintaining trust after Covid-19 - having made ground on many of the other industries cited. There is still an issue to address to get pensions up to the same trust levels as the other two day-to-day savings holders, banks and other forms of savings providers, so people feel confident committing their money to the industry.

In summary, we feel this Index barometer comes at an important point in time as people look to rebuild their finances. To mark this flag of assessment at one of the most difficult times in living memory, both financially, socially and in health terms, sets a reference point that the industry must treat as a low point to progress from. There is now a responsibility on the industry to not just return to business as usual, but make appropriate changes for the future of member engagement and interaction.

There will always be members who don't save enough or who need help in understanding their options, but having trust in us to do the right thing and confidence that we have the skills to support them should be without question.



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