

XPS Express for Employers

Bringing you the latest pensions news for employers

New data analytics can improve your employees' financial wellbeing



At a glance

There is increasing awareness that employees may not understand or value the defined contribution (DC) benefits that employers provide for retirement

Some individuals are not saving enough, or have other priorities (e.g. repaying debt), and some employers have limited scope to increase DC contributions

Employers are looking to identify how much their employees are saving and whether it is enough

A data driven approach can then be used to understand employees' financial wellbeing, views and behaviours

Together, these help tailor DC objectives, employee engagement strategy and support, and investment options. This improves employee understanding and the value they attach to their DC pension

This helps employers with trust-based schemes to meet their regulatory requirements to consider employee preferences and financial needs



Understanding employees' pension savings

The illustration below compares the savings needed at retirement to achieve certain living standards to the savings an employee is expected to have.

Employee 1 is not expected to have enough at retirement to meet even minimum living standards. **Employee 2** will have a number of options to achieve a comfortable retirement. When analysed for all employees, actions can be targeted at cohorts of employees in similar situations.

	Employee 1	Employee 2
Current age	36	53
Minimum living standard pot	£148,000	£97,000
Moderate living standard pot	£567,000	£373,000
Comfortable living standard pot	£1,222,000	£803,000
Expected pot at retirement	£64,000	£750,000

Source: Pension and Lifetime Savings Association Retirement Living Standards, XPS analysis



Areas covered by demographic data analysis

Demographic data can provide insights into the following areas:



Financial wellbeing



Employee engagement



ESG* views



Standards of living



Retirement objectives

* Investment Environmental, Social and Governance views



Actions employers can take

1. Evaluate your employees' DC pension outcomes against retirement living standards.
2. Use interactive modelling to see how you can help improve your employees' pension benefits.
3. Use demographic data to gain insights into employees' views, financial pressures, spending patterns, and communication preferences.
4. Engage with your employees to improve their financial wellbeing.



Our two-stage process

We are helping employers improve outcomes using the following:

1 Quantitative Assessment: Understanding member outcomes

Our interactive modeller enables you to assess:

- all members' likely future benefit values and evaluates these against the PLSA's Retirement Living Standards criteria;
- how changes to contributions, retirement age and investments could improve members' outcomes; and
- which member cohorts are on track for good, or bad, outcomes - helping shape your objectives and engagement strategy for each group.

2 Qualitative Assessment: Understanding member behaviours and needs

Our data driven approach uses demographic data, reflective of your members, to:

- provide valuable member insight (e.g. financial pressures, spending patterns, engagement preferences, attitudes towards ESG) that may not otherwise be available to you;
- understand behaviours, needs, personal circumstances and aspirations of each cohort identified in stage 1; and
- help tailor your investment solutions and member support to the needs of your members.

Implementing a successful DC strategy

There are six key factors that can influence DC pension outcomes at retirement - and the value that your employees attach to the DC pension benefit provided.



For further information, please get in touch with **Jim Heal** or **Ken Anderson** or speak to your usual XPS Pensions contact.



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