XPS Express for Employers

Bringing you the latest pensions news for employers

DC analytics can improve members' retirement outcomes

At a glance

There is increasing acknowledgement that the information held by employers may not be sufficient to design DC arrangements that align with the needs of their employees

Employers are looking for ways to improve retirement outcomes for employees where there is often limited scope for them to increase their own contributions

In addition the higher expenses associated with running schemes with a wide range of options are not always matched with higher levels of employee engagement or appreciation

An analytical data-driven approach can help employers design more tailored DC arrangements by analysing employee characteristics and better understanding their behaviours and needs
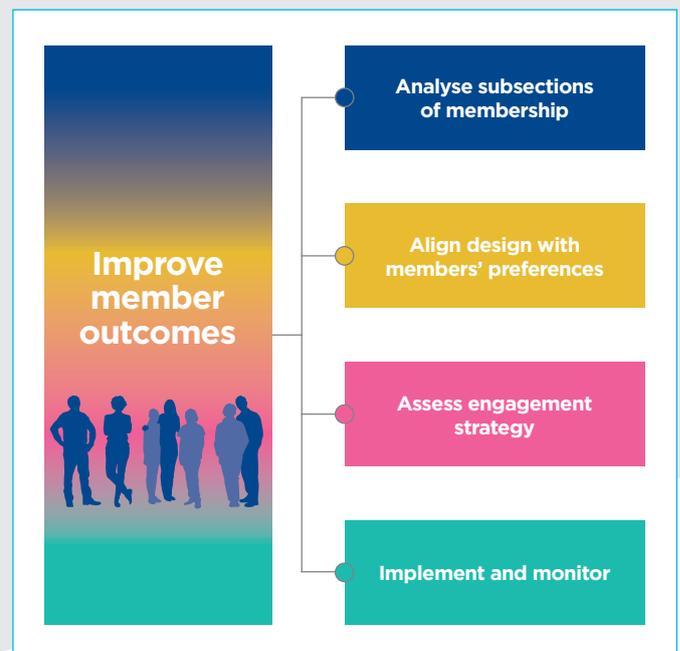
Analytics can also help determine the best way to engage and communicate with employees to maximise participation

This helps employers spend their pensions budget efficiently by offering employees what they need, improving their retirement provision

How to improve outcomes

Knowing your members helps improve outcomes by offering a structure that maximises member engagement.

Improve member outcomes

- Analyse subsections of membership
- Align design with members' preferences
- Assess engagement strategy
- Implement and monitor

Key areas covered

DC analytics can provide insight in the following areas:

Financial vulnerability	Digital vulnerability
Disposable income	Expenditure
Non-pension assets	Home ownership
Saving frequency	Health
Debt exposure	ESG views

Member engagement

Actions employers can take

1. Assess the costs and benefits of your current DC arrangement.

2. Evaluate the needs of your members by considering key metrics such as employee contribution levels and the use of the wider fund offering.

3. Use data analytics to understand the appropriate DC scheme structure for your specific members.

4. Determine the best engagement strategy to maximise participation and improve member outcomes.

Our approach – DC Analytics

DC analytics helps identify employee characteristics to enable employers to understand behaviours and needs in order to design or refine their DC scheme to improve member outcomes.

Methodology

XPS work with a leading data and technology company using large scale, publicly available information to analyse the characteristics of a group of pension scheme members by extracting information using their postcode.

This allows us to assess how a scheme's membership characteristics compare to those of other pension schemes and the population in general.

It is similar to approaches used by government and other major industries (e.g. insurance) to make material decisions (for example where to target specific health services).

Interpreting the analytics

– ← **100** → **+**

An index of under 100 shows **below average** representation

An index of 100 shows that the proportion of members is the **same as the UK working population**

An index of over 100 shows **above average** representation

Bad	Average	Good

Vulnerability indicators are provided at postcode level for the whole of the UK population.

Most vulnerable ← ■■■ ■■■ ■■■ → **Least vulnerable**

🔍 Case study

DC Analytics can provide information on both the membership as a whole and individual subsections. For example it can identify where participation is low or where members are paying the minimum contribution rate.

In our case study members paying the minimum rate exhibit specific traits, such as having low disposable incomes but are saving their income rather than spending it.

Providing financial education so members are aware of tax relief, and reviewing the contribution structure to offer matching contributions at lower thresholds could increase pension saving and improve member outcomes.

	Other	Minimum contributions
Vulnerability		
Digital vulnerability	■■■■■■■■ 8	■■■■■■■ 7
Financial vulnerability	■■■■■■ 7	■■■■■ 6
Income		
Household income	119	95
Disposable income	131	96
Savings		
Existing savings	131	95
Saving level and frequency	112	110
Retirement income requirements		
General expenditure	111	92
Health	112	94

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

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