

Meet the real influencers: How social media tools can empower and engage pension savers

Giving scheme members a voice on the ESG issues that matter to them can keep them focused on their pensions

In a survey of 1000 workplace savers, 68% told Legal & General Investment Management (LGIM) they would engage more with their pension if they knew it was invested in environmental initiatives.¹

Large swathes of the pension industry hold up environmental, social and governance (ESG) integration as the 'silver bullet' for engaging members. But people behave differently with the virtual money in theoretical questions than with the real money in their pensions. Several people in our survey admitted that without further prompting, their new-found engagement with their pension was likely to fade over time.² Millennials, in particular, reported that they may lose interest if they did not feel there was a meaningful impact to support their pension provider's statements.

Knowing that good intentions, driven by ESG concerns, may not lead to concrete action in members' pensions, we teamed up with fin-tech Tumelo. Our aim was to test whether combining ESG with familiar technologies, inspired by social media, can help get scheme members' attention – and keep it.

1. Source: LGIM. Quantitative research was conducted on 29 October 2019. Full question: 'Most pension schemes invest in financial markets, for example in stocks and bonds. But they can also invest in the real economy, for example in infrastructure like homes and hospitals. Would you be likely to engage more with your pension if you knew your pension money was being invested into regenerating urban areas, affordable housing and clean energy (from renewable, zero-emissions sources)?'

2. Respondents commented that after checking their account to answer their immediate questions, their pension quickly fell back down their list of priorities.

3. Full question in the 2019 survey: 'If your pension provider informed you regularly about how they are using the investor rights that come with the money they manage on your behalf in order to push for positive change at the companies they invest in - for example, through case studies like in previous questions, would you: something missing here?'



Keeping your savings in tech

One way to engage members is to make them feel invested in the outcomes – and not just financially. In our survey, we asked participants how they would feel if their provider regularly informed them about the use of their investor rights to push for positive change. Some 45% confirmed that it would make them more interested in their pension savings.³

In particular, members wanted to know:

- How has their provider influenced things?
- What are the benefits of any changes brought about?

With these questions in mind and inspired by the convenient app-based technology which has democratised a range of products and services, we collaborated with Tumelo, an ESG reporting start-up, during 2020. We aimed to create a user-friendly way for members to find out about the ESG issues in their pension, but also to go one step further by giving them a shareholder voice on the issues they care about.

During a 12-week pilot which began on 2 June 2020, we offered 1,140 people across two schemes access to an online platform via their pension login.

Every time a member logs on to Tumelo's platform, their dashboard shows the funds they are invested in.

It also encourages members to learn about upcoming shareholder votes at annual general meetings (AGMs) for companies their pensions are invested in, and submit vote preferences. After casting their own vote on an issue using a 'like' button, members are 'nudged' by an email or push notification to view the result of that vote at the meeting; see how other scheme members and their provider voted; and read a statement explaining the provider's decision. These action-led functions, borrowed from social media, keep the administrative burden on the user low.

Making savers' voices heard

The platform was widely used; 3,778 votes were cast overall: an average of 3.31 votes per person.³ By the time 3,295 votes had been cast, 41% of users had placed at least one vote on the platform.

The platform was particularly effective with groups where engagement has often been lowest: amongst people who are just starting on their pension savings journey and those with smaller pots, in temporary or part-time employment.

Most of our logins came from people in the 25-34 age bracket, which is a breakthrough for bringing early savers into their pension journey. This may have been down to the ease and user-friendliness of the format. As one member put it: "I really love this idea – it has simplified such a complex and foreign concept into an actionable, all-in-one platform".

Members with smaller pots in more temporary or part-time employment often spent more time looking at the companies they were invested in, perhaps as they were unaware that their pension fund owned these shares in the first place. The dashboard showed the names and logos of some household brands, which we think helped make pensions feel that little bit more familiar to users. One user commented that they had "never had this level of detail before about something (they're) invested in". Using the platform was evidently the first time some savers' attention had been captured by pension information.

Familiarity was also important for members who were already engaged to some extent with their pensions. People tended to show the most interest in brands that were part of their everyday lives, so votes on the consumer goods and consumer services, tech and telecoms sectors were very popular, with the most-answered questions involving companies such as Tesla, Netflix and Kroger, regardless of the theme of the vote.*

The themes topping scheme members' agendas

High-profile companies and themes dominated member activity on Tumelo during the pilot period.

Issues straight from the headlines, such as 'Should Mike Ashley be re-elected as CEO of Sports Direct?*', proved popular, with 125 votes and 80% of members voting against the proposal.

Heavily reported-upon themes attracted a lot of attention too, with the number-one topic being the environment. Popular votes included 'Should Dollar Tree report on how climate change will influence its strategy?*' (88% voted in favour), and 'Should Delta report on how their lobbying activities impact climate change?*' (109 votes, 94% voted in favour). Human-rights votes also piqued members' interest, as the second-most popular theme. The most popular vote overall was 'Should Tesla report more on how they protect human rights?*' Out of 169 votes, 93% were in favour.

In the wake of reports about the inequality the coronavirus pandemic has exposed, there was a flurry of interest in executive pay. More than 100 users voted on motions about each of Keurig Dr Pepper, Netflix and Tesla's policies.*

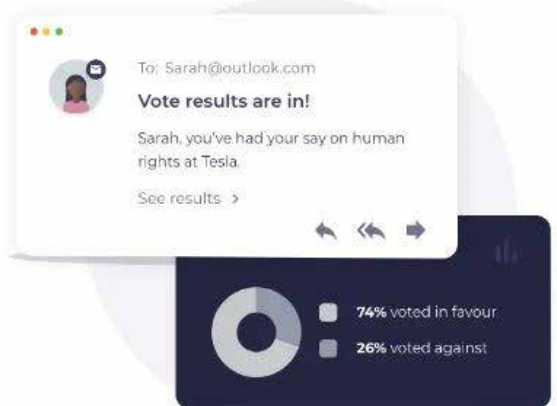
Certain issues may have been seen as affecting some sectors and companies, but not others. For example, sexual harassment was perceived to be a big issue for Delta, where 93 voters out of 100 agreed it was, but less so for Walmart, with only 21 votes overall.*

Other topics gained smaller numbers of votes but with striking amounts of unanimity. For example, 95% of 58 voters were in favour of P&G reporting on workplace diversity, and 100% of 56 people supported them reporting on their deforestation policies.*

*Examples show for illustrative purposes only.

4. Source: LGIM and Tumelo data, as at August 2020.

The information available about voting decisions on the platform made users feel empowered and allowed them to understand the impact their pension was having. In the words of one user, it "doesn't matter how tiny of an investor you are, you can still have your voice heard... (and) pass it on to someone with higher power who is capable of instigating change". Seeing the provider's voting rationale was reassuring in cases where the provider's decision differed from their own.



Democratising pensions with ESG

Since 2013, millions of savers – or ‘generation auto-enrolment’ – have been placed into workplace pensions by their employer, many for the first time.

But meeting savers’ expectations of retirement will require stronger engagement, earlier on in the accumulation journey.

We believe that tools augmented by social media to address relevant issues can help switch a new generation of members on to pensions.

Technology can be both a ‘gateway’ for those who are less familiar with their pension savings and an engagement tool for those who are already confident with their money.

In future, we will look to enhance our tech’s educational capabilities in an interactive way, as well as think about other ways to broaden members’ understanding of and sense of ownership over their money.

Connecting the dots – between what is happening in the wider world and at home, between pensions and ESG issues, between the saver’s future and the world’s future – is a powerful way to ensure a new generation is plugged in to their money.

*Examples show for illustrative purposes only.

Crucially, this was a concept with staying power. Over the trial period, nearly one-third (31.9%) of users returned to the platform every month. “That email got me really excited,” commented one person. “I logged in straightaway, which isn’t something I usually do. I normally leave these sorts of administrative emails in my inbox”.

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