

# Pensions Online ?

Issue 4  
June 2005

## A Study of Producer, Distributor and User Attitudes and Behaviour

The role of the workplace in delivering financial services to individuals is expanding. Environmental drivers include; obligatory stakeholder pension provision, increased adoption of flexible benefits packages and maturing IT infrastructure. The tight labour market coupled with reduced access to financial advice means that provision of information and purchase power in the workplace makes sense. Internet and intranet technology facilitates workplace marketing of pensions but also creates a new set of challenges. Issues include: what to provide and how it should be provided, how information and advice should be imparted, shifting roles and responsibilities, expectations and perceptions of employee, employer and other stakeholders. This business briefing reports on a series of focus groups among members of both defined contribution and defined benefit pension schemes within the private and public sectors. Employees discussed their perceptions of self-service technology for pensions in the workplace, their current use, the features and facilities valued and their perceptions of the short and long term benefits of Internet use.

### Background

Four focus groups were conducted in April and May 2005. Two focus groups were held at a public sector organisation operating a defined benefit pension scheme and two focus groups were held at a private sector organisation operating a defined contribution scheme. A total of 24 individuals participated, 10 female and 14 male, and each group contained a wide range of ages. All participants used the internet in their job. Focus group participants discussed their current use of the internet, their current use of their pension scheme website, specific website features they valued and the possible long and short term benefits of web site use.

### Current Internet Use

All participants found the internet useful for both work and personal use. Internet use saved time, provided easy access to information, increased knowledge and enabled informed comparison and choice. Attitudes towards the internet were broadly positive. The public sector groups, however, were more critical. They questioned the accuracy of online information, reported problems with purchases, complained that web sites offered standardised solutions and often only allowed e-mail contact.

### Current Pensions Website Use

The public sector groups exhibited a range of pension website adoption. Some found the website "straightforward and easy", others, although aware of the website

through marketing communications, felt that it held little of interest:

I am sure they advertise it in the material they send to us, but to be honest I have never looked at it. It is not something that would immediately grab me.

In fact, many participants spoke about their lack of engagement in general with their defined benefit scheme.

We are basically passive. They do it, we just hope they do it right.

In contrast the private sector employees had been compelled to use their pension website as part of a shift to a defined contribution scheme. One participant remarked how his attitude towards his pension impacted on his attitude towards using the website

I think the difference with the pension website [compared to other sites] is I will go on it with a slightly ambivalent attitude... rather than a positive attitude as a starting point.

Website use appears linked to the extent of pension engagement ranging from those who desire control to those who state that the last thing they want is pension choice. There is evidence of interaction

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between product and channel involvement. Thus a primary factor determining use and perceived usefulness of the website is the nature of the pensions scheme (whether it is defined benefit or defined contribution).

### Specific Website Features

In each group participants identified specific website features that they valued. All groups desired; a jargon buster, a general planning tool/modeller, a personalised projection tool and an individualised full contribution history. When we asked participants what they would like to see in an ideal world, discussion centred on tools that predicted the individual's final pension outcome. There were some differences between the groups.

#### Defined Contribution/Private Sector

Defined contribution/Private Sector participants wanted comparative fund and annuity rate information. The emphasis was on information to achieve three broad objectives:

1. To set a pension target and design a path to achieve this.
2. To gain assurance that selected investments had been placed in the right funds.
3. To develop the ability to exercise investment choice in an informed way.

For online pension management needs participants wanted to quickly update personal details. Online fund switching was debated and whilst some argued for immediate transfer others stated that immediate transfer was unnecessary due to the long-term nature of pension purchase.

#### Defined Benefit/Public Sector

Defined benefit/Public Sector participants wanted information on ethical investments, scheme processes, the impact of legislative change and "typical" member case studies. Participants desired online pension information to:

1. Gain maximum benefit from a "Rolls Royce" scheme.
2. Enjoy convenient access to product terms and conditions that were often "put at the bottom of the pile".
3. Improve pension knowledge to facilitate face-to-face enquiry.

It can deal with...the more simple questions so.. if you have to contact them later on you can be more refined in what you are asking and save a lot of time.

Pension management needs in these groups were less well-defined than the defined contribution scheme groups. This is consistent with the perceptions of defined benefit scheme members that they have a "passive" role. However, in addition to the ability to update personal details, participants signalled that they would

like to register for personalised e-mail communication about scheme developments and additional investment options.

### Short-Term and Long-Term Benefits

In the short-term both groups identified the internet as making individual pension information accessible and that this in turn would motivate them to take a closer interest. As one public sector participant stated:

Rather than having to wait... you could do it at 12 o'clock one afternoon if you had a mind to it, so I would be more to keep more up-to-date with my pension really.

The long-term benefits were less clear to participants in the defined benefit/public sector group. One participant remarked that he could not see any value added beyond enhanced convenience and immediacy of information provision.

The defined contribution/private sector groups commented that the internet gave control but if the individual did not have a long-term pension strategy then that additional control in itself was of little benefit. Several individuals referred to their pension as a "black hole".

At some point in time I am going to have to switch from somewhere to somewhere. [The internet] gives me the control over what I am doing and if I understood a bit more I could do it today.

### Next Stage

These initial insights into employees' perceptions of pensions online in the workplace will be tested for their generalisability through a survey in each organisation. A report on the findings will be available in 2006.

In addition, two seminars on workplace marketing are being held in London and Edinburgh in August 2005. For more details and to reserve a place please visit [http://webdb.ucs.ed.ac.uk/management/school\\_new/news/](http://webdb.ucs.ed.ac.uk/management/school_new/news/)

### The E-Society Programme

This research is part of The E-Society Programme, a multidisciplinary programme of research that seeks to investigate how institutions, practices and behaviours are being changed by the technologies that constitute the digital age. It is a 6-year programme funded by the Economic and Social Research Council with a total budget of £6.5 million.



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