wtw

DC Pensions and Savings Survey

2023

wtwco.com

This is our 18th edition of exploring trends and insights of the Defined Contribution (DC) market. It reveals the immediate focus and priorities that employers and plan sponsors have for their DC retirement plans. The 2023 survey contains data on 122 of the FTSE 350 companies and 140 other leading UK employers, which makes this one of the largest UK DC Pension and Savings Surveys in the industry. As always, we would like to thank those who took part in this survey and helped us to conduct this research and bring these valuable insights.

TABLE OF CONTENTS

Introduction

Gemma Burrows
Director

Stuart Arnold
Director

Since our last survey, we have seen turmoil in investment markets, inflation rise into double-digit numbers and a cost-of-living crisis. How has this translated to the priorities organisations have set themselves for their DC provision?

Employee experience and financial wellbeing:
Employee experience continues to be a key focus, topping our list of priorities for the next two years. In addition, many organisations continue to look to enhance support around financial wellbeing and to improve retirement outcomes for employees, with the number of companies targeting the latter seeing **an 8-percentage point rise since the last report.** This points to an ongoing focus on member outcomes over the near term.

Diversity, equity and inclusion (DEI):
DEI remains an area of growing interest for organisations, with more companies reporting it as a focus for their pension provision, compared to last year's survey. While activity to date has been moderate, considerable activity is planned with between a third and a half of companies expecting to take significant steps to address this in the short term.

Plan design:
The pace of change towards outsourcing provision is beginning to slow. 41% of employers with own trust schemes are considering a move to master trust over the next two years and 16% of contract-based are considering such a move. This marks a slowdown compared to prior years. Contribution rates have remained stable, but average rates hide wide variations in the generosity of provision, with an increasing number of companies looking to use their retirement plan to differentiate them from their competitors and aid with attraction and retention.

Governance:
Employers and plan sponsors recognise the need to continue to monitor their retirement provision, even after outsourcing to a master trust or contract-based provider, with 82% having or planning to have a formal oversight framework in place. The key area where organisations want to raise their focus is around the support offered to members as they approach retirement, with over half planning action in this area in the short term. With the difficulties decumulation decisions pose for members, this will be a valuable focus area to support member outcomes.

Investment and charges:
The last decade has seen downward pressure on fees, as providers strive to remain competitive. Master trust now represents the lowest average fees, compared to contract-based plans which showed the highest average. Master trust also continues to lead the way on incorporating environmental, social and governance (ESG) considerations within the default investment strategy.

While the government seeks to consult on the use of illiquid assets in investment strategies, our survey shows mixed views on the idea if it means an increase in fees in order to do so. 26% are in favour, 38% are against and 36% "don't know". This may reflect uncertainty around the value offered and a challenge for the market should this go ahead.

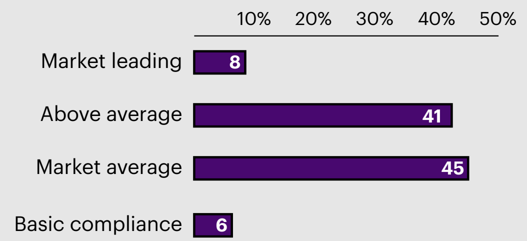
Retirement support:
Nearly half of plan sponsors are looking to enhance their support 'in the run-up to retirement' and there is an opportunity to improve the range and availability of tools and services on offer. Nearly half of organisations (44%) offer a drawdown facility at retirement only via an 'in-plan' option, with 15% giving members a choice between an in-plan or third-party option. Nevertheless, 1 in 4 employers do not have a drawdown offering for members. With the Department for Work and Pensions (DWP) now suggesting a requirement be placed on trustees to offer a decumulation service that will provide support at the point of access, this is a potential gap to be addressed.

1. Future focus

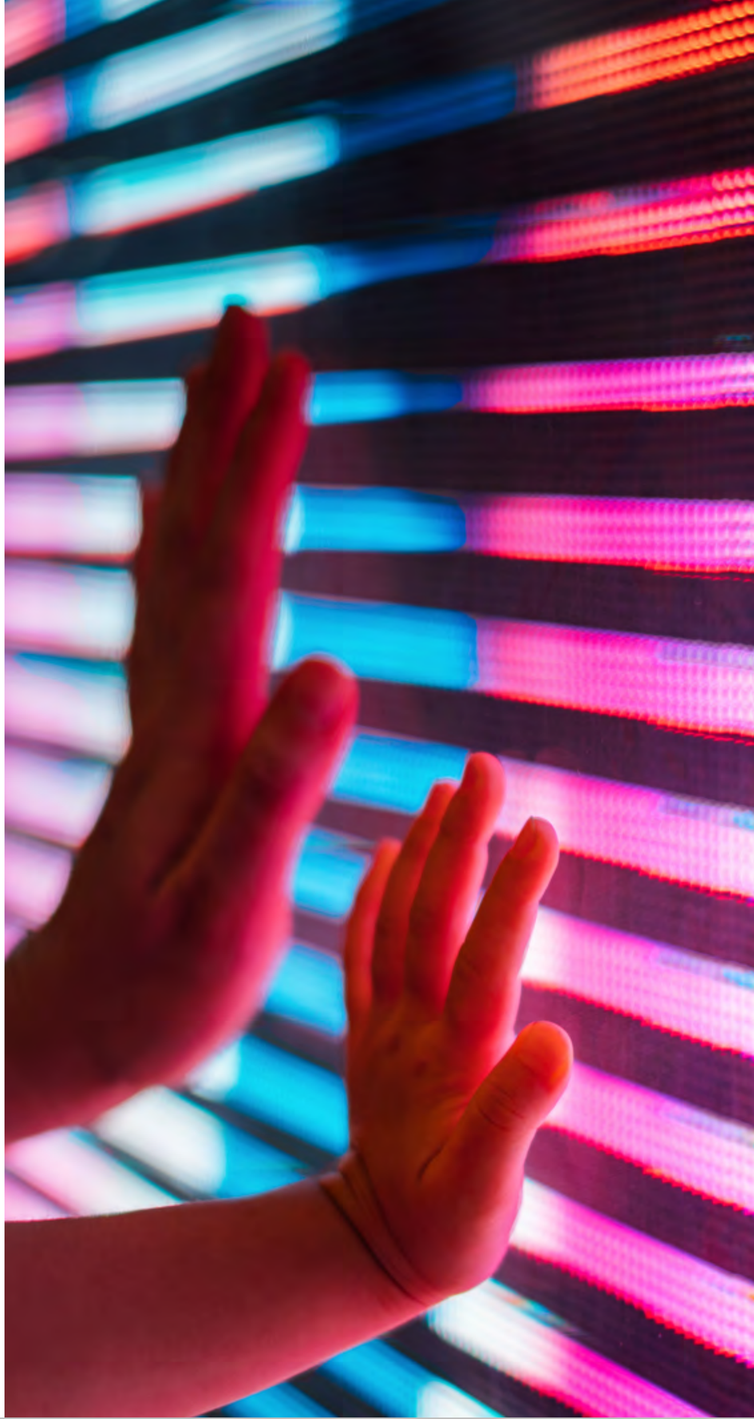
A shift in the focus of UK employers and the issues they are seeking to address within Defined Contribution (DC) provision is emerging. Attraction and retention issues have come to the fore and together with rising inflation and a cost-of-living crunch, plan sponsors are re-examining their emphasis on DC. Consideration of wider diversity, equity and inclusion (DEI) and environmental, social and governance (ESG) aspects of pension scheme provision are also leading employers to re-examine the benefits they offer employees.

All the above are driving employers to focus on improving the value they (and different types of employees) get from their pension provision. These objectives sit alongside the longer-term focus to improve the employee experience and enhance the use of technology. In *Figure 1*, we can see that nearly half of employers aim for their retirement provision to differentiate them from other employers they compete with for talent.

Figure 1: **How would you describe your organisation's objective for its retirement provision, relative to other employers?**



Source: WTW DC Savings Survey, 2023

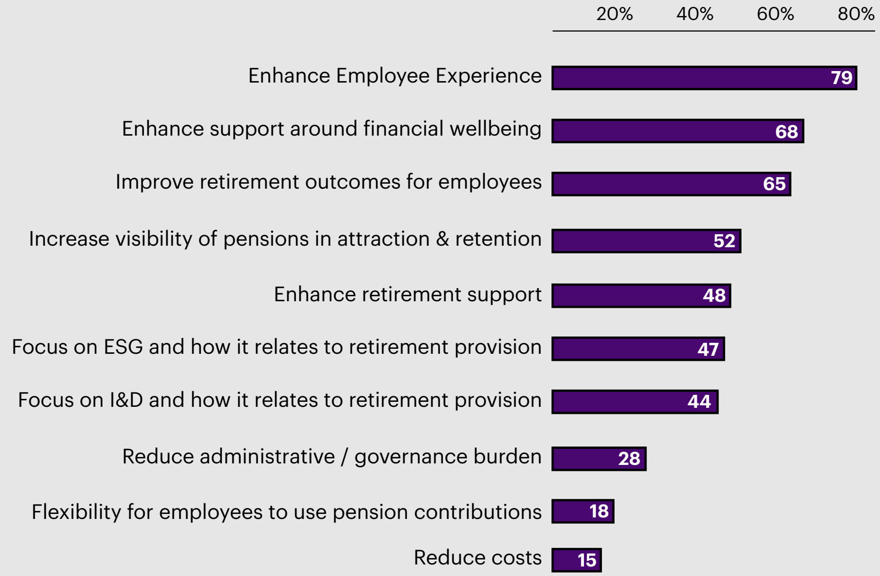


But how are employers looking to do this? *Figure 2* highlights the key priorities for employers. Improving the employee experience with their pension scheme is the top priority for employers; in last year's survey, it was the second most important. Sponsors have a continued desire to improve the communication, tools and services they use to support employees with their pension scheme.

Financial wellbeing ranks as the second priority. This is an ongoing priority, but to date, the pace of change has been somewhat limited. Nevertheless, it remains an area where much action is being looked at for the future and the rising prominence of the issue due to the cost-of-living crisis, may drive a quicker pace of change.

Improving retirement outcomes for employees remains a key priority and is ranked the third most important. Over the decade, we have seen only a moderate movement in typical contribution rates for employers in the survey, so it appears that employers are looking to improve outcomes by other means (e.g., increased investment efficiency and reduced costs). Helping employees to make better choices both through the focus on financial wellbeing and retirement support are also aligned with this motivation, to improve retirement outcomes.

Figure 2: **To what extent are the following objectives a focus for your organisation's pension provision over the next 2 years?**



Note: Percentages are "4/5 Major focus".
Source: WTW DC Savings Survey, 2023

Attraction and retention is an increasing focus for employers and in *Figure 2*, we can see that getting value from pensions in this area is a heightened focus for sponsors. Today, it ranks as the fourth most important issue, compared to sixth a year ago.

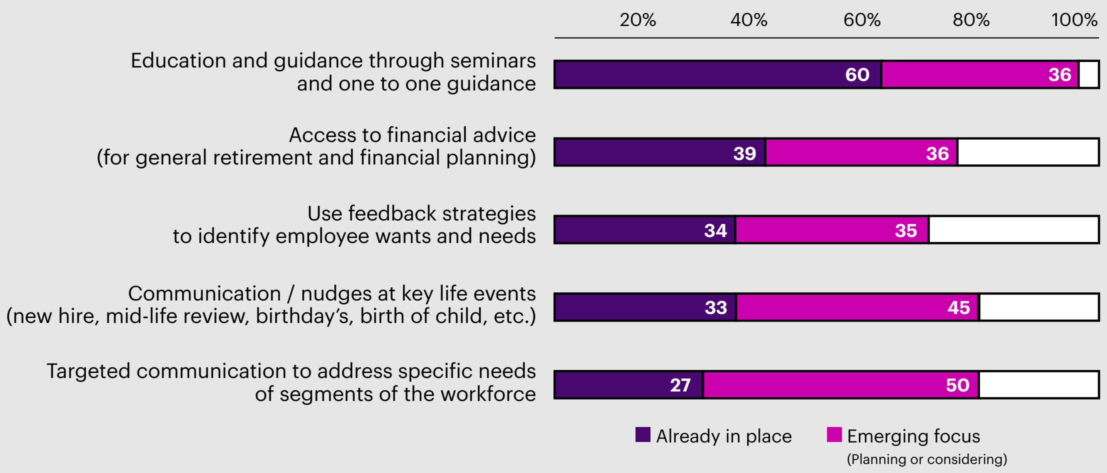
Enhancing the support employees receive at retirement is the fifth most popular area of focus. There is a growing recognition on the complexity of the decision-making process for members as they reach retirement, and there are opportunities for sponsors to improve support, with some options being achieved at no cost to the employer (e.g., offering access to employee-funded advice/ facilitated drawdown).

A focus on environmental, social and governance (ESG) considerations is a priority for nearly half of employers. This has declined somewhat in importance, but much activity has already taken place in this area (with regard to investment strategies), and companies are moving their attention towards other areas (attraction and retention and inclusion and diversity) which have risen in importance.

Finally, reducing costs is not a high priority, though that does not necessarily mean employers wish to significantly increase their spending. Instead, it may point towards a recognition that good pension provision is about much more than just cost.

2. Employee experience and financial wellbeing

Figure 3: **Does your organisation take any of the following actions to enhance employee engagement with the retirement plan?**



Note: "Don't know" was excluded.
Source: WTW DC Savings Survey, 2023

However, employers are looking to shift their attention towards more tactical support, with the key priority areas for improvements focused on targeted communication and nudges at key life events.

- 1 in 3 employers have adopted nudges at key life events (compared to 12% in 2022), and a further 45% are planning to do so.
- Around 1 in 4 employers use targeted communication to address the specific needs of segments of the workforce (compared to 15% in 2022), and a further 50% of employers are looking to do so in the future.

This is being driven both by an understanding of one-size does not fit all and by the greater focus on the diversity of needs underpinning many companies focus on inclusion and diversity.

By contrast, using feedback strategies shows little movement from 2022. There is an opportunity for employers to do more to understand what members really think about their pension scheme (34% currently use feedback strategies, 35% are planning or considering doing so), which may, in turn, help employers get more value and use their retirement plan to help address attraction and retention challenges.

Employee experience

Employee experience is the foremost current priority for employers and plan sponsors *(Figure 2)*, but how are they looking to deliver a better experience?

In *Figure 3*, we can see that most activity is currently focused on education and guidance, with 60% of employers active in this area now and a further 36% looking to do so in the future. Followed by access to financial advice (39% currently, 36% considering).

Financial wellbeing

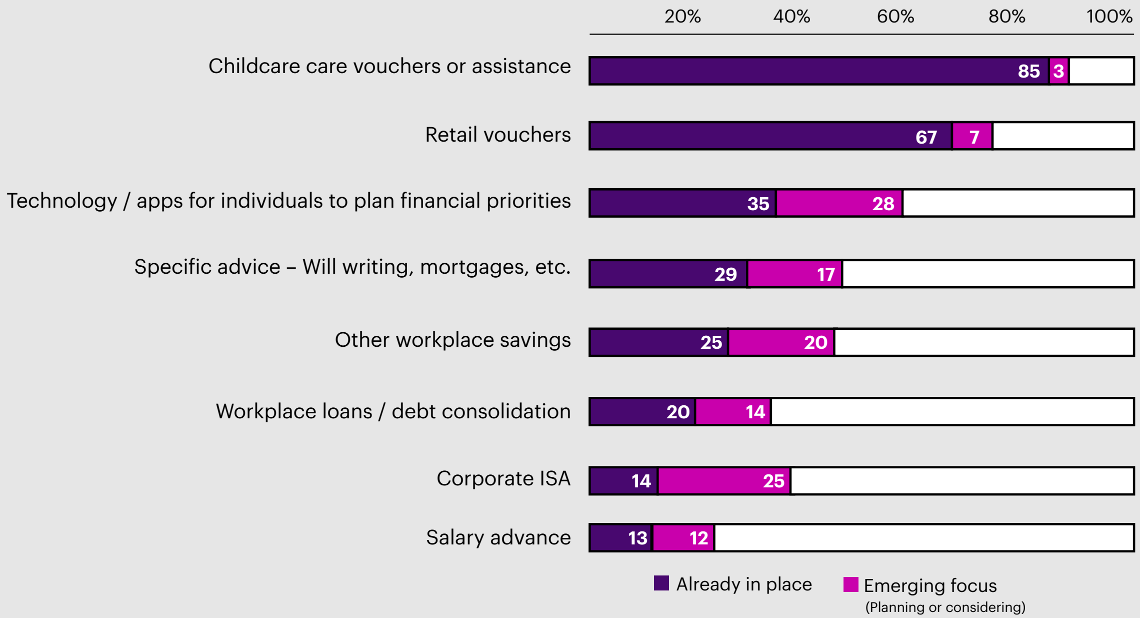
Financial wellbeing has been a growing area of interest for employers over the last decade, particularly in the last five years. With the cost-of-living crisis, the issues that have driven this interest (high housing costs, difficulties with debts, etc.) are becoming even more pressing.

In *Figure 4*, we can see what actions employers have taken to date and what they are planning to do. Most employers have already taken the steps of providing retail or childcare vouchers. These are easy ways to help employees get better value from their spending (and possibly can be promoted more). Tackling fundamental issues related to budgeting, debt and how to encourage better financial habits are coming more into focus and there is more that can be done to support employees in these areas.

Just over 1 in 3 employers (35%) provide tools to help employees plan their financial priorities, and a further 28% are looking to do so. Hence, the greatest expected growth in financial wellbeing provision is around financial planning tools.

Whilst those offering a corporate ISA is relatively low at 14%, a further 25% are considering this option. In addition, 25% of employers offer some other form of workplace savings, with an additional 20% considering it. Looking at them together, 29% of employers are currently offering some other form of savings alongside pension provision, with a further 25% considering their introduction. Making it easy for employees to save, directly from their salary, is a key way of improving financial wellbeing and recognising the different needs and priorities of employees.

Figure 4: **Does your organisation have any of the following in place, or does it have plans to offer them in the next two years?**



Source: WTW DC Savings Survey, 2023

1 in 5 employers offer workplace loans and 13% offer salary advances where employees can access their pay prior to payday (with 12% considering doing so). It will be interesting to see whether there is any growth in these trends, as the market becomes more established and cost-of-living pressures continue.

Hence, we can see that employers are starting to take steps to tackle financial wellbeing with more being planned. The challenge of introducing financial wellbeing benefits and identifying how these are most effectively delivered is an area to be considered.

A key challenge is in how employers can provide more financial support to employees in a world of constrained budgets and competing resources. One means is to give employees the flexibility to use their employer's pension contributions to address other financial priorities. This is common for high earners or those affected by annual allowance issues but is still rare amongst employees in general (only 11% of employers in our survey do so today). This has not changed much in recent years, despite the desire to improve employee financial wellbeing, but it offers a means to help employees who are in financial need and around 1 in 5 employers are considering doing so (18%). This can also help to address the differing financial needs of a diverse workforce and improve equity across employee groups.

3. Diversity, equity and inclusion (DEI)

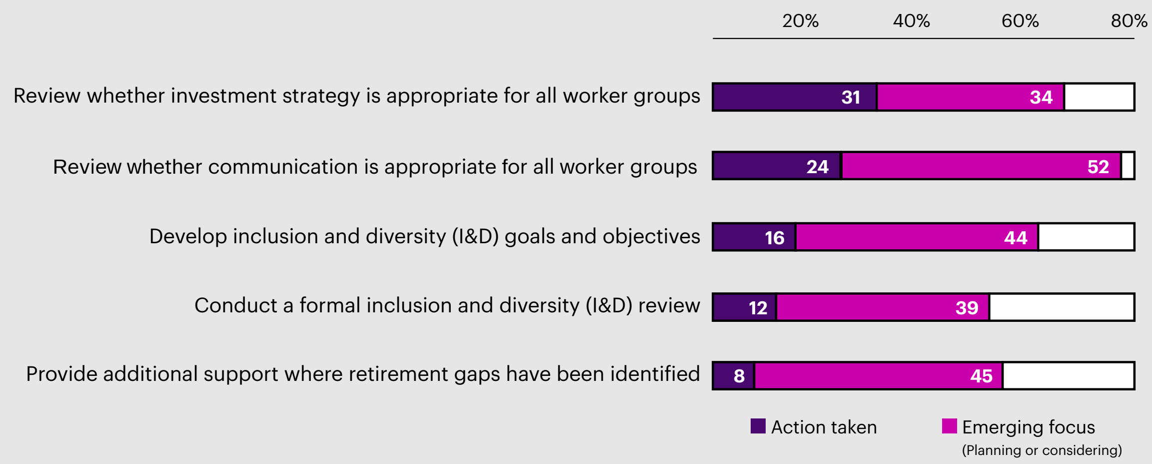
Since 2020, DEI has been a growing concern for employers around the world, and today, nearly half of UK employers report that they are looking to focus on inclusion and diversity and how it relates to retirement provision over the next two years *(Figure 2)*. But what does this mean in practice? In *Figure 5,* we can see the steps companies are taking to address inclusion & diversity (I&D) concerns.

Most activity by companies to date has been to review the suitability of investment strategy (31%) or communication materials (24%) for all worker groups. This has typically been done on a standalone basis, rather than as part of a formal I&D review. Formal reviews have been undertaken by only around 1 in 10 employers (12%), and only 16% have developed formal I&D goals. Potentially more should look to build a more strategic focus on inclusion and diversity, by embedding the reviews they are doing into a more formal structure.

However, sponsors identifying as having high ambitions for their pension scheme provision (above market or market leading) are nearly twice as likely to have formalised their I&D goals and objectives (20% versus 12% for companies targeting market standard provision).

Finally, 8% have taken steps to address retirement gaps that have been identified, but 45% identify this as an emerging focus. With the Gender Pay Gap, the Gender Pension Gap and pay transparency being emerging regulatory trends, we would expect this to continue to be a growing focus.

Figure 5: **Has your organisation taken any of the following actions with its pension scheme(s) to support inclusion and diversity, or is it planning or considering doing so in the next two years?**



Source: WTW DC Savings Survey, 2023

Clearly, companies are taking different steps and approaches on how to address DEI issues within their retirement provision. *Figure 6* attempts to summarise the progress on DEI so far, across the dimensions above, and what companies plan for the future.

- So far, nearly 6 in 10 employers have not taken any steps (58%), though this is expected to fall dramatically to around 2 in 10 (19%) in the near future, as many employers and plan sponsors plan to address DEI issues.
- Many companies (around 3 in 10) have already reviewed investment strategy or communication.
- Finally, the number of companies that will look to address retirement gaps looks set to increase from 8% to potentially over half (53%) in the future.

Hence, whilst activity to date has been moderate, a sharply increased focus on DEI issues is expected, with a shift in focus to address the pension gaps that exist.

One of the drivers for this focus is the growing awareness of the Gender Pensions Gap. Recent evidence puts the gap between men's and women's private pension wealth around pension age at 35% (DWP, 2023). Other estimates, using different data sources and methods, come to similar conclusions: that the gender pension gap is large and significantly bigger than the gender pay gap.

Myriad forces lay behind the difference in pension outcomes (the gender pay gap, the higher incidence of part-time work and time taken out of the labour market amongst women and possibly different savings choices), and change will not come overnight, but taking steps and having a clear focus on tangible actions to improve this will be welcome.

Figure 6: **A summary of progress on inclusion and diversity?**

	Current	Future
No actions taken	58%	19%
Set I&D goals (only)	4%	1%
Review investment or communication	30%	28%
Tackle retirement gaps	8%	53%

* Review investment or communication here includes cases with or without set I&D goals, who have not yet tackled retirement gaps

** Current reflects actions taken to date, future those planning or considering taking steps

Source: WTW DC Savings Survey, 2023

4. Plan design

DC vehicle

Over the last decade, the major trend in plan design has been the rise of master trust schemes. Today, the number of employers in our survey with a master trust scheme stands at just over a quarter (28%); this exceeds the number of employers with own trust schemes (23%) for the first time. While nearly half of employers use contract-based plans to deliver their DC retirement benefits.

Looking solely at the FTSE 350, we can see the dramatic change in plan provision during the last decade *(Figure 7)*, with the rise of master trust, a slow decline in the use of contract-based plans and the more dramatic decline in own trust scheme provision being evident.

Figure 7: **DC vehicle (FTSE 350)**

	2014	2017	2019	2023
Contract-based	54%	55%	53%	46%
Master trust	6%	15%	20%	28%
Own trust	41%	31%	28%	26%

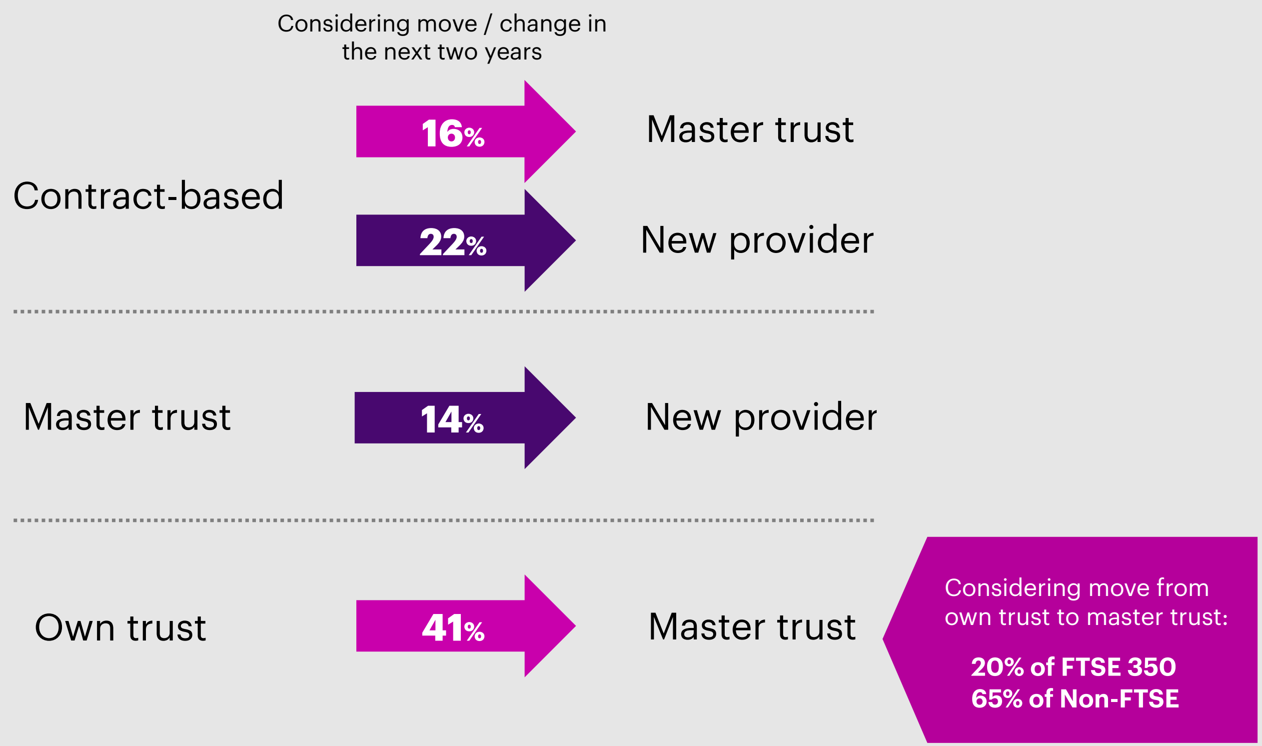
Sample: FTSE 350 only
Source: WTW DC Savings Survey, 2023

Figure 8 suggests these trends will continue, albeit at a slower rate than before. Looking at what employers are considering doing over the next two years:

- 16% of employers with contract-based plans are considering a move to a master trust, while 22% are looking to review their provider. This suggests a good deal of activity in the contract-based market, with 28% considering either option.
- 14% of those with a master trust are looking to review their provider, suggesting a secondary master trust market will continue to evolve. Some employers who adopted a master trust early are looking to review their provider to seek potentially better options and a few have already done so. Market forces and developments in proposition are likely to encourage activity to continue here.
- 41% of employers with an own trust scheme are considering a move to a master trust, though this is much lower within the FTSE 350 (20%), suggesting a number of employers with large schemes who still see the value of own trust provision, with sufficient scale to be both low cost and to offer high-value DC.

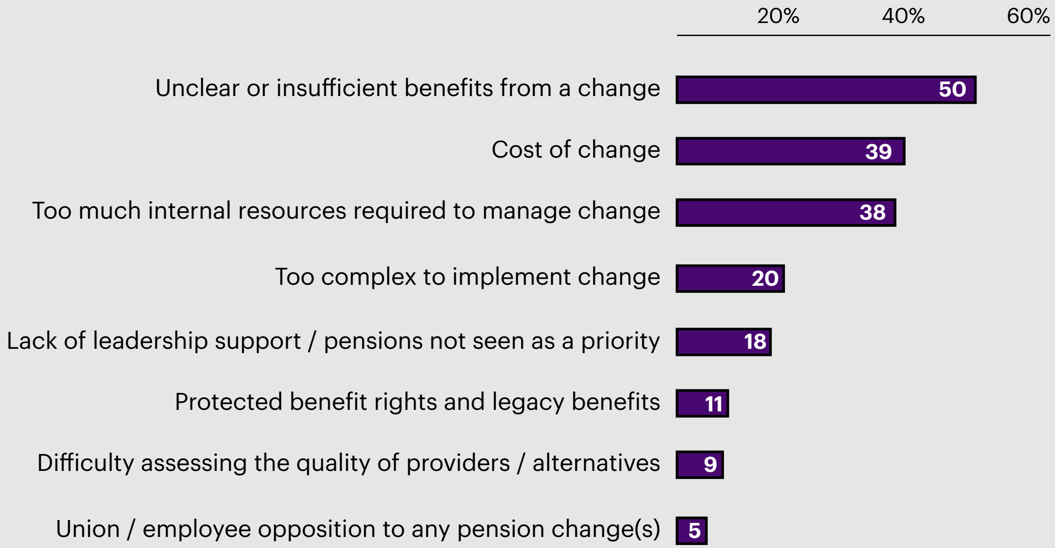
These figures point to a continued change, but a slowdown compared to prior years and may suggest that an equilibrium may soon be reached.

Figure 8: **Review of DC vehicle (considering move/change in the next two years)**



Source: WTW DC Savings Survey, 2023

Figure 9: **Which of the following are the biggest barriers to your organisation making changes to its DC provision in the future?** ***Select a maximum of 3***

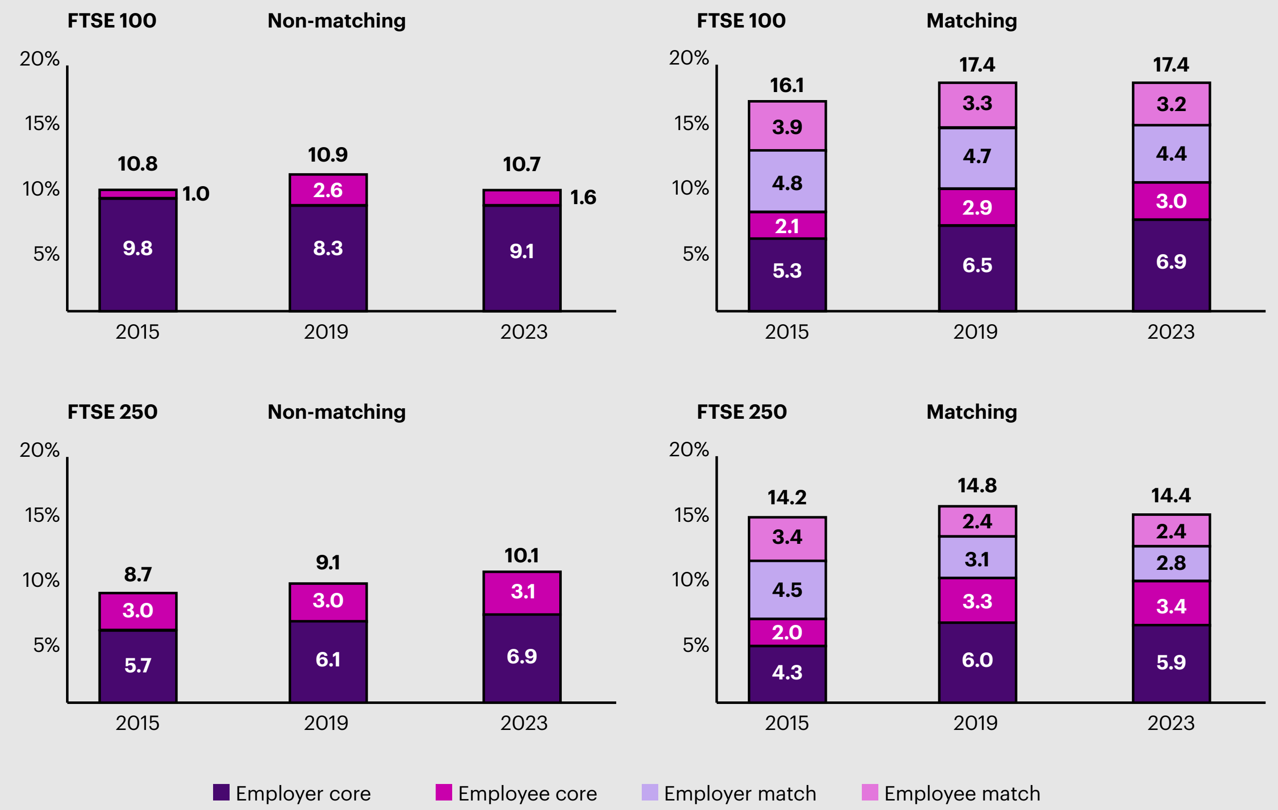


Note: 6% for other. Sample: Excluded those that have recently reviewed / changed their DC provision
Source: WTW DC Savings Survey, 2023

In Figure 9, we can see the main barriers to change as reported by survey respondents. The three main barriers are unclear benefits (50%), cost of change (39%) and the internal resource requirements needed for change (38%).

We would expect to see legacy benefits, including protected benefit rights representing a smaller proportion, given that this will only be relevant where those rights exist. However, when considering potential reforms to retirement provision and the Pension Regulator's encouragement of consolidation, such barriers will need to be borne in mind.

Figure 10: **Average contribution rates**



Note: Percentages may not add up due to rounding.
Source: WTW DC Savings Survey, various years.

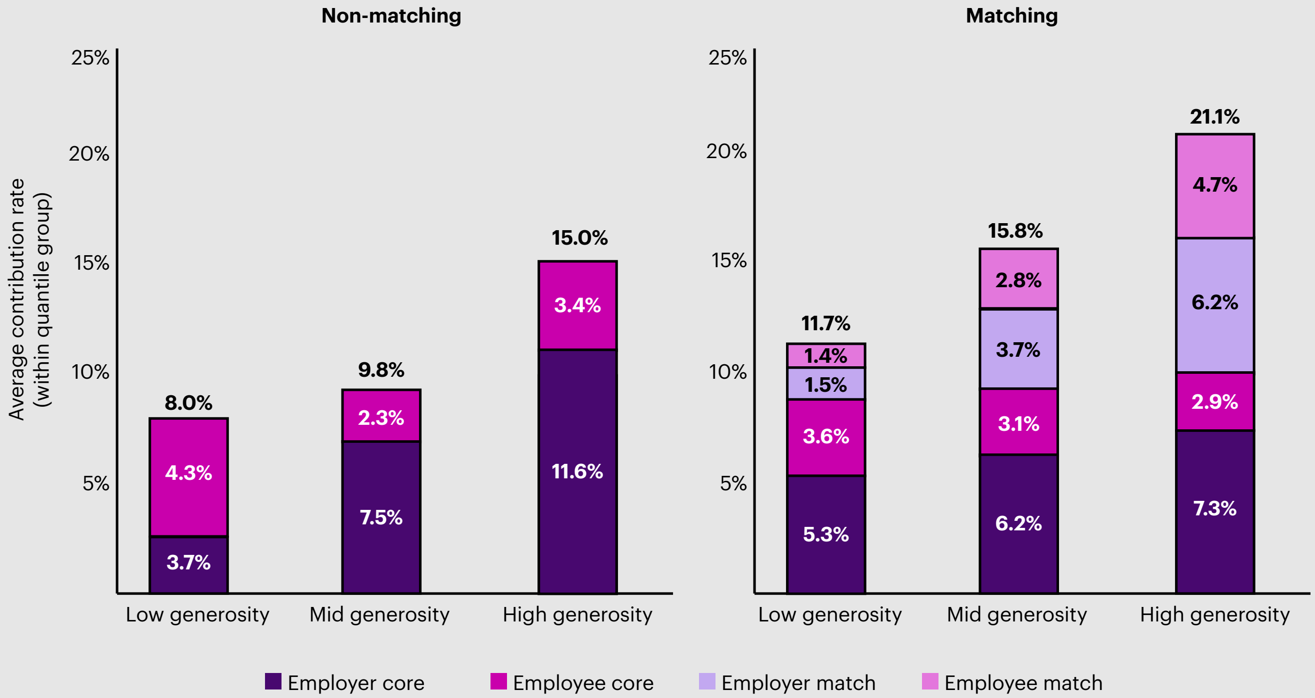
Contribution rates

Whilst the vehicle used to deliver DC benefits has changed dramatically in the last decade, there has been a slower pace of change in typical contribution rates offered to employees.

For much of the period after 2010, there was little change in the average contribution rates paid to employees. Then in 2019, there was a meaningful increase in average contribution rates resulting from the implementation of the final phase of auto-enrolment minimum contribution. Since then, contribution rates have again remained largely stable.

Figure 10 summarises these trends in average contribution rates. Yet, these average rates hide wide variations in contribution structure across employers. For companies looking to use their retirement plan to aid with attraction and retention, the overall average may be less interesting than where they stand relative to competing employers in their sector or location.

Figure 11: **: Distribution of contribution rates**



Note: Generosity is defined based on the maximum total contribution (combined employer and employee rates). For matching contribution designs it assumes employees pay the amount required to achieve the maximum employer payment but no more.
Source: WTW DC Savings Survey, 2023

In *Figure 11*, we explore this idea by looking at the gaps in contribution rates between employers with the least and most generous DC plans. To do so, we define groups of employers based on the following:

- Low generosity: the lowest quartile of companies (with the least generous contribution designs)
- Mid generosity: the middle half of companies (with contribution rates around market average)
- High generosity: the top quartile of companies (with the most generous contribution designs)

We then examine typical contribution rates that prevail in each group.

Gaps between different groups of employers are stark. Contribution rates among the lowest quartile group are typically close to auto-enrolment compliance levels. Whilst amongst the most generous group, they can potentially be nearly twice as high, with the share of contribution paid by the employer growing significantly. For the least generous plans, the employer and employee share is similar. In the most generous plans, employers, on average, pay over 3 times as much as is expected of employees.

For matching design structures, core contribution rates do not vary significantly across employers. Rather, the most generous employers offer more substantial matching rates, providing employees access to more generous contribution rates from the employer if employees contribute more.

5. Governance

Despite the movement to outsourced pension provision, employers still see the need to provide oversight and direction to their pension strategy. This supports the sentiment of plan sponsors to improve member outcomes and the employee experience.

For most organisations, activities are currently focused on reviewing various aspects of scheme performance:

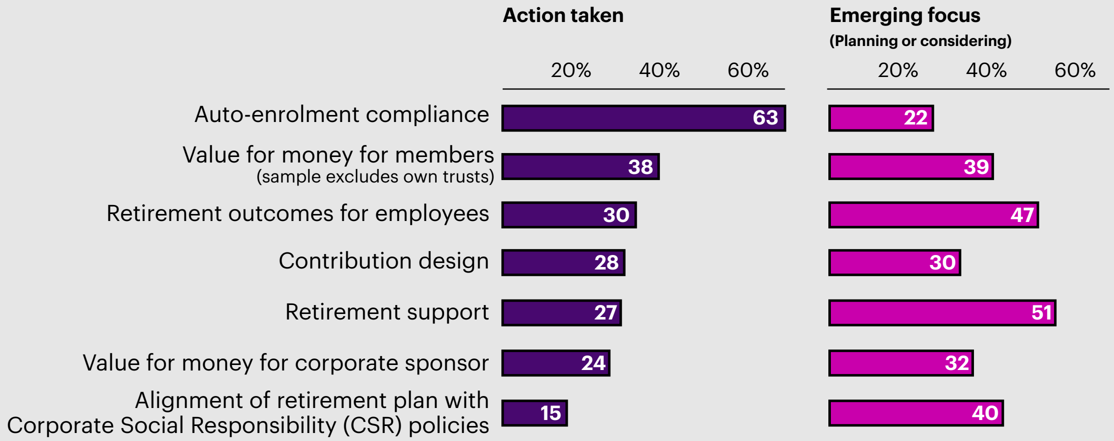
- Performance of the investment strategy (78% annually),
- The member engagement strategy (72% annually)
- Performance of provider(s) or third-party administrators (61% annually).

Nevertheless, looking ahead, we can see a desire for governance groups to look at a broader range of issues *(Figure 12)*. Nearly two-thirds of governance groups (63%) have reviewed their employer's compliance with auto-enrolment legislation in the last year, and a further 22% are considering doing so in the next two years.

Clearly, the emphasis on compliance remains high, but organisations are increasingly seeking to assess whether schemes are providing the best value to employees:

- 38% have assessed the value for members in the last year and 39% are looking to do so in the next two years
- 30% have assessed what retirement outcomes employees can expect from their retirement provision and nearly half (47%) are considering doing so over the next two years

Figure 12: **Has your organisation assessed / formally reviewed any of the following in the last year? Or does it plan to do so in the next two years?**



Source: WTW DC Savings Survey,2023

Hence, there is a desire to ensure employees get the most out of their pension scheme and for employers to understand what retirement outcomes employees can expect and how they stack up against their wants and needs, an area supported by the Pension and Lifetime Savings Association (PLSA) published Retirement Living Standards. This also links to the desire to improve retirement outcomes reported by employers.

How else are employers looking to ensure value or achieve better outcomes for workers? In *Figure 12*, we can see that 1 in 4 organisations (28%) have reviewed their contribution design and a further 30% are looking to review their designs in the next two years. This may become increasingly important with employers focussing on how benefits can aid their attraction and retention efforts.

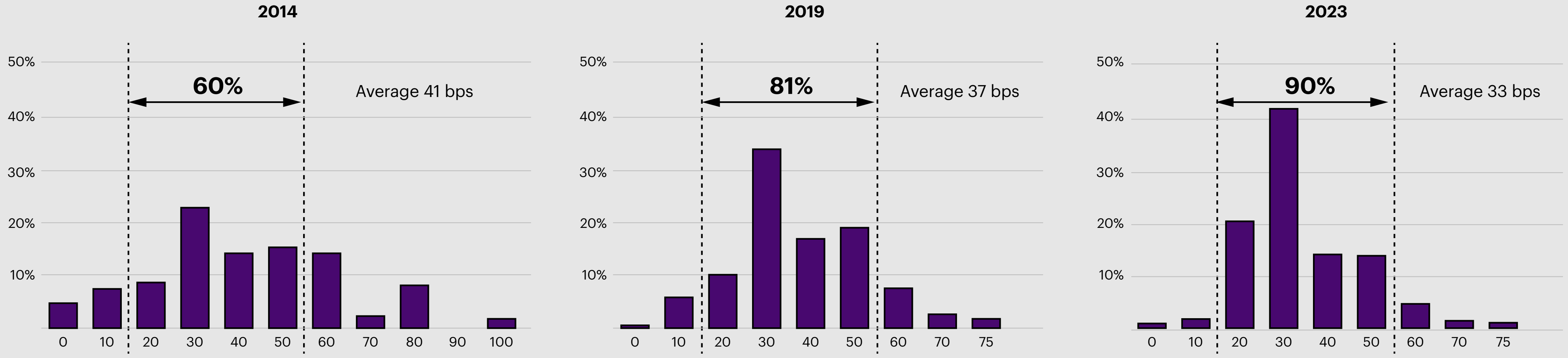
The area where governance groups most want to shift their focus is around the support they are offering to members as they reach retirement. Currently, only 27% have taken steps to address this, but a further 51% are looking to do so. There is growing recognition of the difficulties decumulation decisions pose and this is a key area governance groups wish to address.

Finally, whilst improving value for members is foremost on organisations agendas, value for sponsors is also a key concern. Nearly 1 in 5 have reviewed the value for money for the corporate sponsor (24%), and a further 32% are looking to do so.

Committees are also looking to examine the alignment of the retirement plan with the employers Corporate Social Responsibility (CSR) policies: with 15% having done this to date, but 40% considering it. Last year's report found that a key part of the drive for the focus on ESG in investment strategies was a desire to align with corporate policies and we can see this is now spreading more widely than just investment, into a broader governance focus.

6. Investment strategy and charges

Figure 13: **Annual Management Charge (basis points): FTSE 350**



Sample: FTSE 350 only
Source: WTW DC Savings Survey, 2023
Note: Since April 2015, a charge cap of 75 bps was implemented within the default arrangement

Charges

The last decade has seen sustained downward pressure on the fees charged for schemes' default investment options *(Figure 13)*. Driven by market landscape and provider reviews, charges have fallen from an average of 41 basis points (bps) in 2014, to an average of 33 bps in 2023. This represents a 20% reduction in average annual management charges, though, with fees at this level, such a change represents a much more modest boost to the expected fund size at retirement.

A secondary outcome of the focus on cost has been a narrowing of the range of charges, with charges in excess of 50 bps increasingly rare as providers strive to remain competitive and employers expect lower cost.

With the more standardised range of fees observed, there has been a drift towards a more homogenised investment offering with passive, globally diversified strategies to the fore.

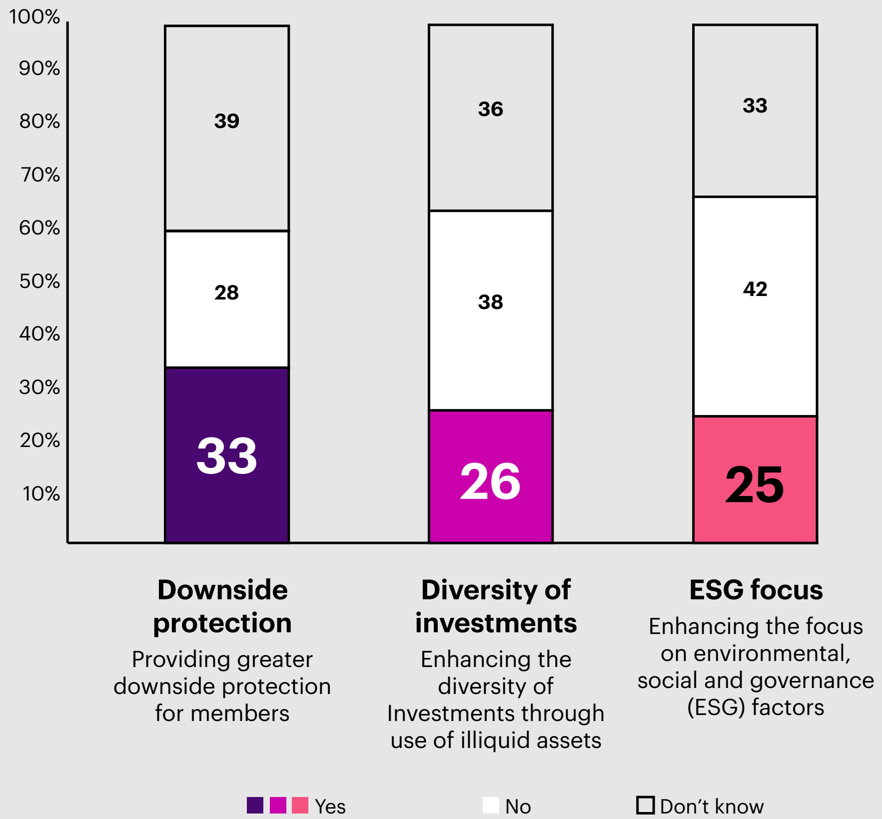
For many, this represents a desirable position, with a low-governance, low-cost approach appropriate for DC plans. However, there has recently been growing debate as to whether this is the right approach and whether the charge cap and market forces are steering employers and schemes to be too conservative and too narrowly focused on costs.

With the Mansion House reforms looking to encourage investment in more expensive but potentially higher growth assets (such as unlisted equities) in DC pension plans. Nine of the larger DC providers have signed up to the Mansion House Compact in an expression of intent to consider allocating five per cent of their investments of default fund assets to unlisted equities by 2030 through the Mansion House Compact – a new, non-legally binding agreement. In addition, among the many consultations that followed was the intention to make it easier for trustees to invest in growth assets without compromising their fiduciary duties.

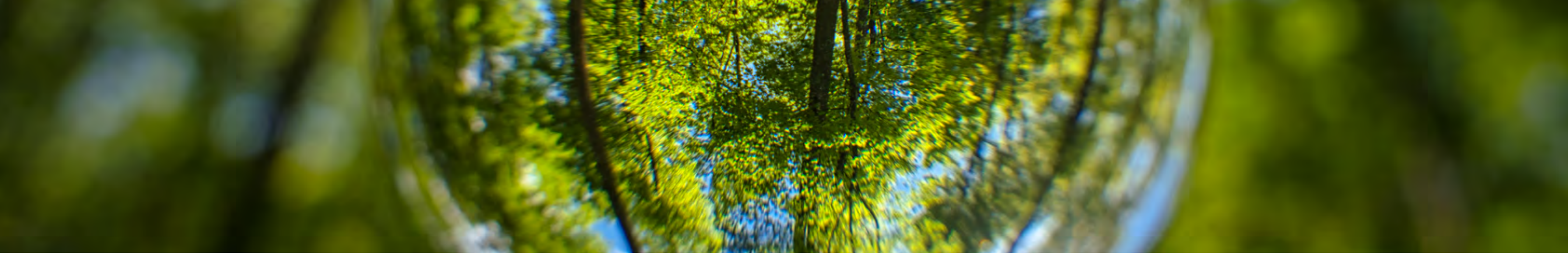
Hence, the direction of travel from the government is clear: to seek to facilitate a greater diversity of investments for the benefit of both investors and the UK economy. *Figure 14* gives some insight into how employers might react. Some 1 in 4 employers would be willing to see charges go up, to include the use of illiquid assets. Whilst 38% would reject such a proposal and 36% respond "don't know". There are then mixed views on the potential to expand investment in illiquid assets, and what plan sponsors would be prepared to accept from a cost perspective in order to do so.

A similar pattern emerges for extra charges for downside protection for members (for example, greater use of hedging strategies to limit falls in asset values for members) or enhancing the focus on ESG (which may require greater costs). Hence, across various dimensions, a significant minority would be willing to accept higher fees for greater investment efficiency, albeit there is also much uncertainty and a number opposed.

Figure 14: **Would you be willing to increase the charges in your scheme's default fund in return for the following?**



Source: WTW DC Savings Survey, 2023



Environment, social and governance (ESG) considerations

In recent years, much of the innovation in investment strategy has been to address ESG considerations and concerns about the sustainability of investment portfolios. In this year's survey, we see the continued advance of ESG investment strategies within DC plans, albeit it is slowing down and possibly starting to reach the point of maturity from a default perspective *(Figure 15)*.

In 2023, around half of employers (56% for FSTE 350, 49% for other employers) have incorporated ESG considerations into their default fund. And a further 27% and 14%, respectively have included ESG funds as a self-select option.

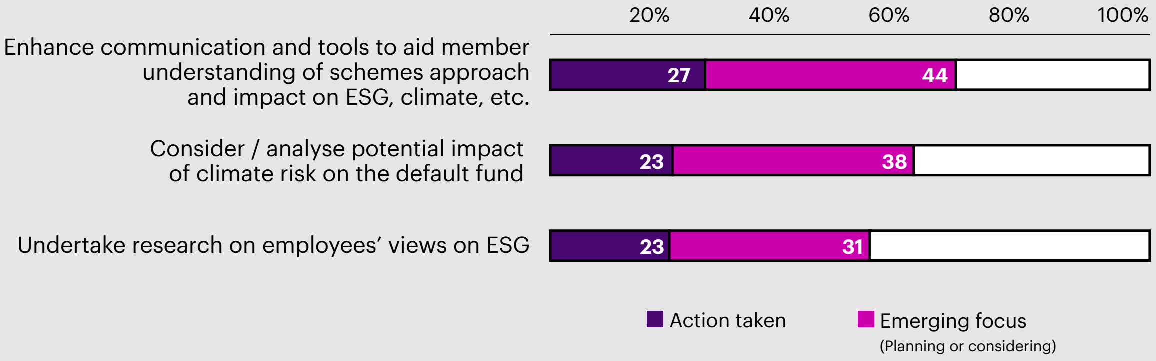
Looking ahead, we see the trend continuing, albeit at a slower pace within the FTSE 350 companies, who have been leading the way on incorporating ESG strategies within their investment strategy. For companies outside the FTSE 350, we see some continued activity, to 'catch up' on ESG.

Figure 15: **How environmental, social and governance (ESG) factors are incorporated into the investment strategy.**

Note: "Future" assumes schemes "planning" to add ESG focus, will do so. Percentages may not add up to 100% due to rounding. "Don't know" was excluded.
Source: WTW DC Savings Survey, various years

With ESG factors increasingly embedded within the investment strategy of DC schemes and provider-designed defaults, the focus is now turning to tools to support member understanding of the schemes ESG approach *(Figure 16)*. 3 in 4 employers have already enhanced communication and tools or plan to do so, whilst 3 in 5 employers desire to more specifically address climate issues in the design of their default fund.

Figure 16: **Has your organisation incorporated the following ESG considerations? Or does it have plans to do so in the next two years?**



Note: "Don't know" was excluded.
Source: WTW DC Savings Survey, 2023

7. Retirement support

The area of governance where employers want to raise their focus most is around the support they are offering to members as they approach retirement, with over half of employers looking to enhance this support *(Figure 12)*. This reflects a growing recognition of the difficulties decumulation decisions pose and the large potential risks to employees at a critical decision-making point.

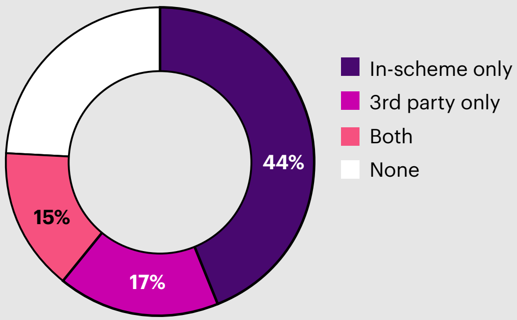
We can see in *Figure 17* that around 60% of schemes currently offer drawdown through the scheme, albeit the majority of these will be contract-based or master trust arrangements. However, 32% partner with an external provider to facilitate access to a drawdown arrangement, including 15% who give members a choice of the two.

Such choice may offer members more flexible options and a superior experience and, where drawdown is facilitated via a master trust solution, the member can benefit from ongoing governance at a lower cost than a typical retail drawdown solution.

Whilst 1 in 4 employers do not have an offering for members, meaning they will have to transfer out of the scheme to secure drawdown if they so wish, this is an encouraging reduction from nearly half of employers who didn't offer any access to drawdown in 2020 (43%).

There is also some inconsistency between schemes investment strategy and the retirement solutions that are provided to members. 86% of employers with own trust schemes have default strategies that target either a balanced or drawdown retirement outcome. Yet only 66% provide access to a drawdown arrangement. This is a significant gap and will need to be addressed, especially given the broad thrust of government policy to improve the options provided to members at retirement.

Figure 17: **Does your scheme offer employees access to drawdown directly or through an external partner?**



Note: "Don't know" was excluded.
Source: WTW DC Savings Survey, 2023

As part of its planned Mansion House reforms the Government has proposed that a requirement be placed on trustees to offer access to a decumulation service that is suitable for their members and consistent with pension freedoms – possibly including an offer to join a Collective DC scheme in retirement.

Schemes would have to provide the service in-house or by partnering with a third-party provider. This may mean own trust schemes may need to review their current provisions to address gaps in what is offered, while master trust providers would need to check they comply. More broadly, this may also drive innovation and expectations across the market on decumulation solutions and support in the lead-up to retirement.

What other options do employers provide to support member decision-making?

Figure 18 shows that most employers are focused on providing information and guidance to members as they reach retirement. Around 9 in 10 provide access to online information via a portal and half provide access to pre-retirement seminars and workshops, though this is more common among those with own trust provision (6 in 10).

Access to an annuity broking service is offered by 42% of companies. With annuity rates in the summer of 2023 offering their best value since 2008, annuities are now a much more attractive financial proposition than previously and their benefits (security, a lack of complex retirement decisions on how to spend and invest) are now coming more into consideration.

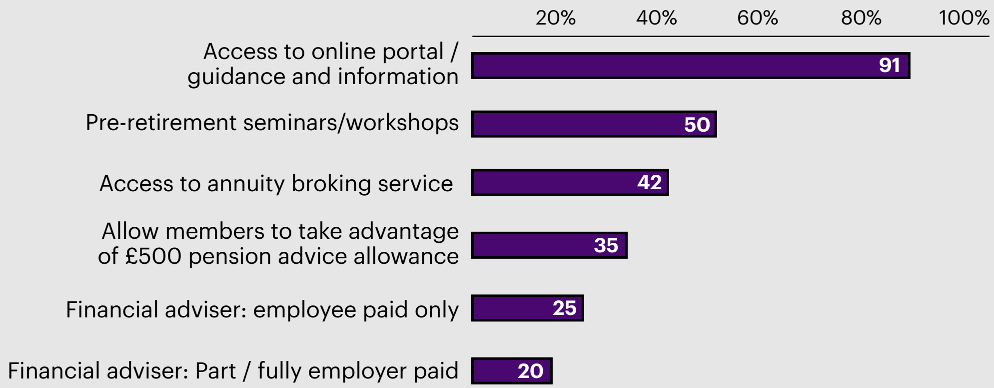
Since 2015, and the introduction of more pension flexibility, the demand for annuities and annuity broking services has been relatively limited, but this is changing, and many schemes and employers may need to revisit what they are doing here.

Access to a financial adviser for members as they reach retirement is relatively common, with nearly half of employers providing this option (25% on an employee-paid basis, 20% part or fully employer-paid). With the complexities of decisions faced by those reaching retirement, facilitating or paying for access to a financial adviser could be an obvious area to help members achieve the best outcomes for their situations.

Arguably, the support that employers provide in the run-up to retirement will come ever more into focus over the next decade. With the quantum of DC assets growing year-on-year, the number of members relying on their DC assets and the complexity of retirement decision-making will continue to grow.

At the same time, the Mansion House Reforms point towards potential legislative pressure to improve the support for members in their decumulation choices and encourage the innovation of solutions offered. Both point to a need for employers to revisit their support in this area and the need to maximise the services and value they get from their providers.

Figure 18: **Do you provide employees any of the following to support their choices at retirement?**



Note: "Don't know" was excluded.
Source: WTW DC Savings Survey, 2023

Contact us

Thank you for reading our report. If you would like to discuss any of the topics raised, please contact your WTW consultant or one of our area specialists below.

Gemma Burrows
Director, Retirement
+44 (0) 20 3124 6345
Gemma.Burrows@wtwco.com

Stuart Arnold
Director, Retirement
+44 (0) 2071703706
stuart.arnold@wtwco.com

Limitation of Reliance

In preparing this report we have relied upon information supplied to us by third parties which by necessity, may have been shortened or abbreviated. While reasonable care has been taken to gauge the reliability of this information, we are unable to guarantee the accuracy or completeness of that information, and we cannot therefore be held liable in this regard, including as to the misrepresentation of information by third parties involved.

This report is based on data/information available to us at the date of the report and takes no account of subsequent developments. This report is intended to be used for general marketing purposes and is not a substitute for specific professional advice. It may not be modified or disclosed to any other party without our prior permission, except as may be requested and required by law. This report is not intended by us to form the basis of any decision by a third party to do or omit to do anything.

wtwco.com/social-media

WTW_118669_DC & Savings_Jun22

wtwco.com

About WTW

At WTW (NASDAQ: WTW), we provide data-driven, insight-led solutions in the areas of people, risk and capital. Leveraging the global view and local expertise of our colleagues serving 140 countries and markets, we help you sharpen your strategy, enhance organisational resilience, motivate your workforce and maximise performance. Working shoulder to shoulder with you, we uncover opportunities for sustainable success — and provide perspective that moves you. Learn more at wtwco.com.