

AstraZeneca Drives Employee Engagement and Education in DC

“PensionDCisions has enabled us to deliver innovative pension reporting to our DC members, which educates and facilitates informed decision-making thus helping to reduce dependence on the default option, without providing financial advice”.

- Julie Colquitt, UK Pensions Manager, AstraZeneca

OVERVIEW

AstraZeneca is one of the world's leading pharmaceutical companies employing more than 66,000 people in over 100 countries, with major R&D sites in the UK, the US and Sweden.

The company maintains a culture in which employees feel rewarded for their ideas and contribution across all aspects of the business. Innovation is valued and people are encouraged to be creative, to question assumptions and systems, to challenge each other and build on fresh insights to find new and better ways of doing things. Within its culture, “we have always done it this way” is the best reason to think again.

AstraZeneca aims to be an innovative leader in the development of a competitive and flexible reward programme and was ranked in the upper half of The Times Top 100 Graduate Employers. The company cites its success as a testimony to the quality and performance of its people.

BUSINESS NEED

AstraZeneca wanted to raise member engagement with its DC plan, create a clear sense of personal responsibility, and reduce reliance on the default option. This required the company to put in place a process to capture members' attention and drive informed decision making, without crossing the threshold into providing financial advice.

The perennial challenge of member disengagement across DC schemes worldwide is reflected in the significant proportion of AstraZeneca's members who are detached and have yet to recognise that retirement planning is their personal responsibility. This has led to ‘blind reliance’ by many members on the default strategy, despite repeated attempts to engage them. AstraZeneca was concerned about the risks arising from heavy reliance on the default option and was not content to accept the status quo.

AstraZeneca also wanted to position the plan to stay ahead of evolving regulations in the DC arena. The company recognised that regulations are changing significantly and wanted to establish a thorough, objective process for ensuring that members are supported to make informed decisions, and for creating a clear sense of personal responsibility, particularly amongst the default population.

SOLUTION

PensionDCisions worked in partnership with AstraZeneca, holding a focus group with ordinary DC plan participants to design a simple and informative one page report. This report incorporates powerful new benchmarks alongside each member's personalised information. The format builds on PensionDCisions' core methodology which is patent pending in both the United States and Australia.

These reports depart from the traditional approach of providing information at the individual ‘product level’ and instead give a holistic summary of the member's overall pension portfolio within the plan. The emphasis is placed on the asset classes in which the member is invested and a comparison is provided on an ‘apples for apples’ basis with the asset allocation of other real-life employees with a similar time horizon to retirement on an anonymous basis. In addition to asset allocation, a factual calibration of the rate of saving relative to total compensation, and overall portfolio return for the members is provided relative to the same peer group.

In addition to the one page reports providing each individual participant with a summary of their asset allocation, total investment return and saving relative to their ‘real-life’ comparator group, the reports also give simple contextual information to help readers interpret the contents and pursue the relevant avenue for taking follow up action.

The reports contain a hotlink to managemypension.co.uk, a memorable URL hosted by PensionDCisions, where recipients can find a web portal tailored to the AstraZeneca plan, with action buttons to connect them with a variety of online resources.

RESULTS

AstraZeneca piloted the reports in 2006 before rolling them out in 2007.

- **Lasting value from persistently higher levels of engagement.** In addition to showing higher levels of engagement immediately after delivery of the reports, individuals in the pilot group also continued to show higher levels of engagement on a sustained basis. More than 6 per cent of individuals in the pilot group made a change to their investments in the crucial annual review period (eight months after receiving their report), an activity level 25 per cent higher than that for the general DC population. This was despite the fact that 80 per cent of the pilot population comprised defaulters.
- **Getting through to defaulters.** For the 2007 roll out, individuals who had never made an investment decision with respect to ongoing contributions formed the target audience. After delivery of a single hard copy report by post to their home address, approximately 40 per cent of this group visited the online support tool (managemypension.co.uk). PensionDCisions demonstrated that, compared to traditional DC communication, it can double the decision-making level among previous defaulters. AstraZeneca will continue to leverage the work done by PensionDCisions through ongoing follow-up communications.

BENEFITS

AstraZeneca is already seeing a significant increase in the level of awareness, personal responsibility and engagement amongst the defaulters in its UK DC plan, thereby strengthening its risk management and reducing blind reliance on the default option. The company has also established a process for enabling its DC population to make more informed decisions, without providing financial advice. With a powerful and growing database of information regarding the behavior of its DC plan members, it is able to track changes in member activity as a result of enhancements to plan design and communication initiatives. The company is also building a foundation on which to tailor relevant communications to precise segments.