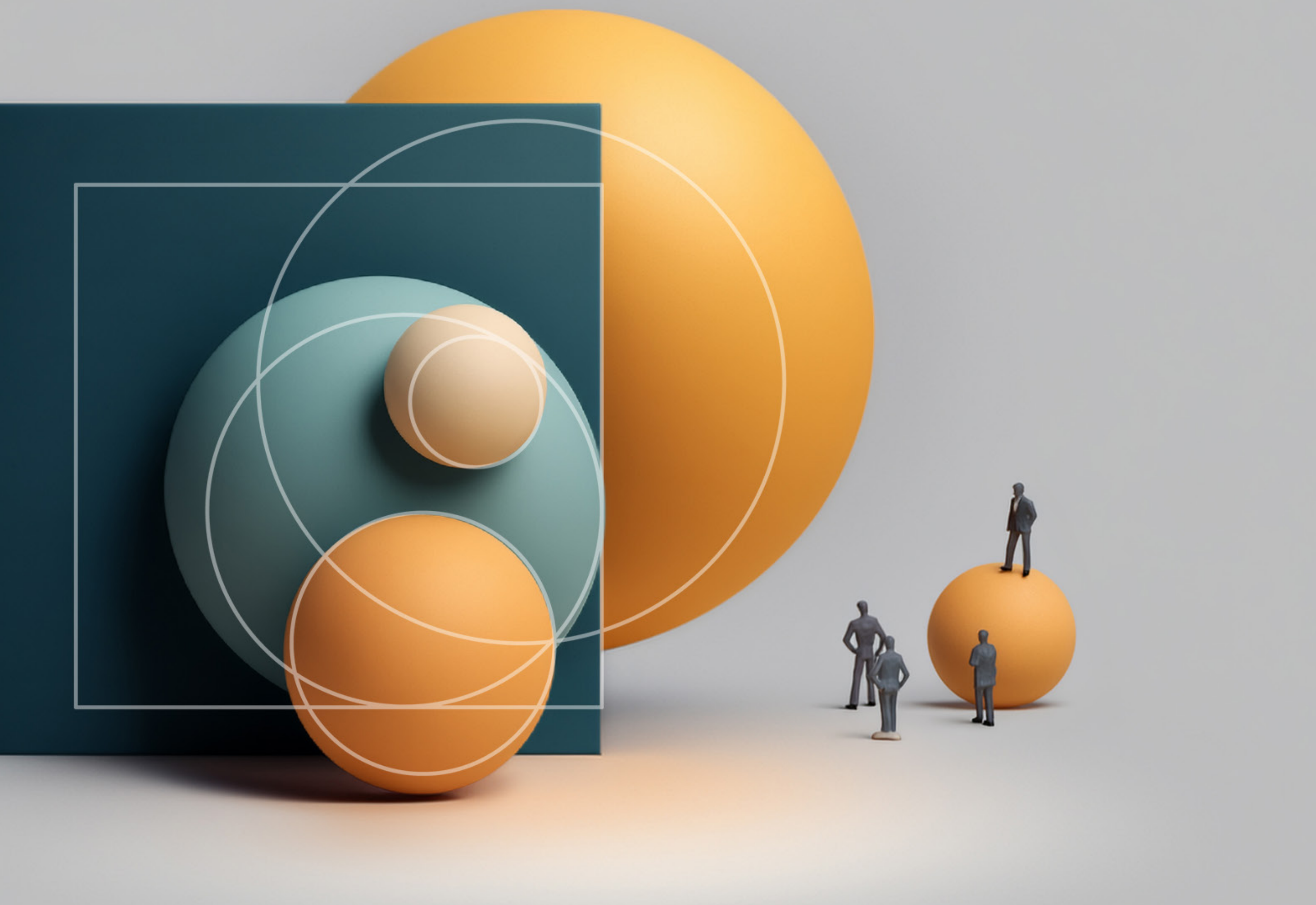
Lumera

From disclosure to outcomes



What an outcomes mindset means for pension schemes

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Executive summary

Members have never had so much information.

From annual statements to retirement packs, online portals, calculators, and soon, dashboards. As an industry, we've spent years dialling up disclosure.

At the same time, we're navigating some of the most significant challenges in decades. Routes for drawing retirement income remains a complex area for schemes and providers. Targeted support is changing expectations around member guidance. Buy-outs continue at pace, with protecting member trust a critical success factor. Trustees are considering the potential opportunities presented by DB surplus reforms. And helping members achieve better outcomes through value for money remains firmly in focus.

While seemingly separate issues, they all depend on the same success factor.

People making decisions.

Disclosure increases the opportunity for informed decisions, but doesn't guarantee the right ones are made, or what follows.

So, schemes, providers, and regulators are increasingly asking the same question:

How do we know those decisions are leading to better outcomes?

This paper explores why the pensions industry is shifting from a 'hit send' disclosure mindset towards an outcomes mindset, and what that means for trustees, providers and pension leaders.

We are entering the outcomes era

Traditionally, the industry has focused on information, ensuring members receive the information they need, in the required timeframe, in a compliant format.

This is still critical.

But across the industry, expectations are changing.

Today's pensions agenda is dominated by issues such as:

- Pensions dashboards
- Decumulation
- Collective Defined Contribution (CDC)
- Targeted support
- Guided retirement pathways
- Value for money
- Insurance buy-outs
- DB surplus reform
- Remediation programmes

At first glance, these appear to be separate strategic challenges.

But each one depends on the same thing:

Helping members understand information, make decisions for their individual circumstances, and take action.

Many schemes have long since caught on that the challenge is no longer simply whether information has been provided.

Increasingly, the challenge is whether that information has helped somebody achieve a better outcome.

And the implications extend far beyond annual statements and traditional member communications. Whether supporting retirement decisions, buy-out programmes, benefit remediation, dashboard engagement or targeted support, communications are no longer judged solely on whether information has been provided. Schemes are increasingly expected to demonstrate that they contribute to member understanding, confidence and ultimately better outcomes.

The Pensions Regulator General Code of Practice reflects this wider shift towards governance, member outcomes, and a demonstration that approaches are effective in practice.

For many years, pensions policy has focused on increasing choice and improving information. Increasingly, attention is turning towards how members navigate those choices in practice.

Guided retirement pathways illustrate this shift particularly well.

Providers, in the design of their pathways, recognise that many people struggle with complex retirement decisions and may benefit from structured support. But, the existence of a pathway is not, in itself, evidence of a good outcome.

The critical questions providers should be asking are whether members understand the pathway they are entering, if it remains appropriate for their circumstances, and ultimately supports better retirement outcomes.

The shift from disclosure to outcomes

For decades, organisations have invested heavily in improving disclosure.

That work has delivered significant improvements in clarity, accessibility and compliance. Many providers now have multi-channel capability, with digital, email, and SMS communications building on traditional snail mail.

Information has never been more available to pension scheme members.

But a disclosure mindset assumes that information itself is enough to create better outcomes.

We know this is not always true, not least because behavioural science tells us so. We are now decades into understanding that financial decisions are often not based on rational interpretation of dense information.

So, we need to shift our mindset away from:

A disclosure mindset

- Have we provided the information?
- Is it compliant?
- Is it clear and accessible?
- Has it been delivered successfully?

To an outcomes mindset

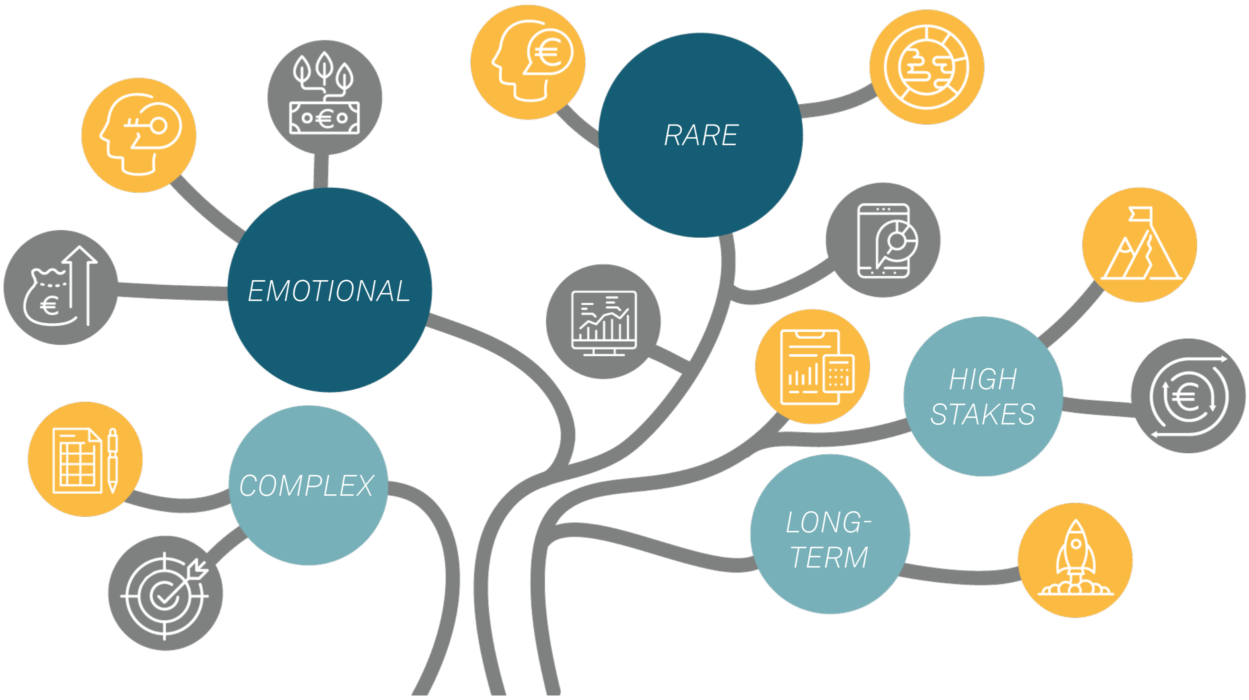
- Was it understood?
- Did it improve confidence?
- Did it support a decision?
- Did it contribute to a better outcome?

This distinction matters because information creates the opportunity for an outcome, **but it does not guarantee one**.

Between information and outcomes sits something much more complicated: **human decision-making**. And this is messy, not rational. But, thankfully, predictably so.

And predictably irrational is where schemes and trusts can expect their customers to live. Because the overwhelming evidence tells us this is how most financial decisions are made.

Why pensions decisions are uniquely challenging



The pensions environment presents some of the most difficult decisions many people will ever make.

Unlike everyday financial decisions, pension decisions are often:

- Rare
- Complex
- Long-term
- Emotional
- High stakes

Members are expected to navigate decisions and complex pension arrangements such as:

- Saving levels
- Retirement timing
- Income options, including drawdown, annuities and, in future, Retirement CDC schemes
- Pension transfers
- Benefit choices

Often making decisions, or needing to understand complex arrangements, with limited experience or confidence.

This challenge sits at the heart of many of the industry's current priorities.

- A buy-out communication still has to build trust and confidence, even if no action is required.
- A targeted support intervention still has to help somebody make a decision.
- A dashboard user still has to decide what to do next.
- A member approaching retirement still has to navigate a complex set of choices.
- A member entering a guided retirement pathway still faces important decisions. The behavioural risk may no longer be choosing between too many options, but in assuming that a pathway designed for the majority is automatically right for all.

In each case, information alone is not enough.

Success depends on the quality of the decision that follows.

What leading organisations do differently

In our experience, organisations making the most progress towards better member outcomes share four characteristics.

1

They start with outcomes

Rather than beginning with communications, channels or campaigns, they start by defining the outcome they are trying to improve. They use insight to understand what's stopping the positive outcome from happening naturally. Then they design the communications journey to make the positive outcome more likely.

For example:

Instead of asking: *How do we improve our retirement pack?*

They ask: *What decision are we trying to support?*

The communication becomes an intervention rather than an objective.

2

They design for real behaviour

People do not always behave in the way organisations expect.

- They are busy.
- They procrastinate.
- They avoid complexity.
- They delay difficult decisions.

Leading organisations design decision environments that account for these realities, making choices easier to understand and act on.

They don't look at single communications in isolation, instead designing complete journeys that work in the real world. To support the way members actually behave with financial decisions – not how they should.

3

They make support relevant

Using data to segment and personalise communications delivers more relevant support.

- Relevance drives attention.
- Attention drives engagement.
- Engagement creates the opportunity for action.

Many organisations still rely on legacy systems and template-based communications that can't provide the level of relevance demanded by complex member journeys.

As products and member circumstances become more complex, that gap becomes increasingly difficult to ignore.

4

They measure what matters

Most organisations have become effective at measuring activity: open rates, click rates, completion rates. These metrics are useful. But they are not outcomes.

Leading organisations increasingly focus on measures such as:

- Understanding
- Confidence
- Behaviour change
- Decision quality

Because ultimately, the question is not: *Did somebody receive the communication?*

The question is: Did it make a difference?

A self-assessment for trustees and pension leaders

How outcomes-focused is your organisation?

Start with outcomes

- [ ] We can clearly define the outcomes we are trying to improve.
- [ ] We understand the member behaviours that influence those outcomes.
- [ ] We design interventions around those behaviours.

Design for real behaviour

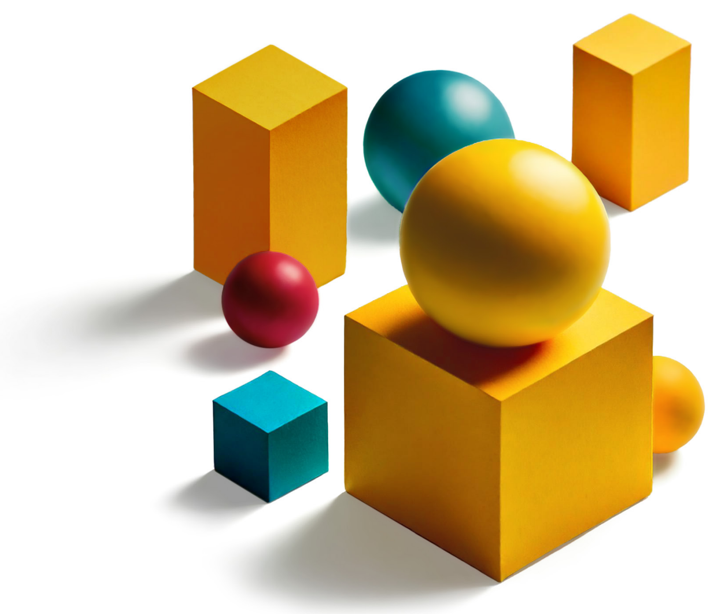
- [ ] We test journeys with real members.
- [ ] We actively identify and reduce friction.
- [ ] We simplify complex decisions wherever possible.

Make support relevant

- [ ] We segment members based on need.
- [ ] We tailor customer journeys using behavioural insight.
- [ ] We use personalisation where it creates value.

Measure what matters

- [ ] We measure more than engagement.
- [ ] We track behaviour change.
- [ ] We can evidence positive decisions and outcomes.



Results

0-4 Early stage

5-8 Developing

9-12 Outcomes-focused

The question every scheme should be asking

The future of pensions will not be defined by how much information we provide. We're already good at that.

The challenge ahead is helping people navigate increasingly complex decisions with confidence.

The organisations that succeed will not necessarily be the ones that communicate more.

They will be the ones that understand more, test more, learn more and continuously improve the outcomes they deliver.

The shift from disclosure to outcomes has already begun.

The question is:

How ready are we for it?

About Lumera

Lumera is an insurtech company driving digital transformation across the global Life and Pensions industry. We provide technology solutions for pensions administration, data management and migration to a broad base of prominent clients. In addition, we have a wide range of expert services that combine our technology and industry expertise, tailored to each local market and supported by prudent AI to enhance automation and data quality.

Our mission – the Prudent Revolution – is about combining technology with partnerships to offer Life and Pension companies the fastest and safest journey through complex change.

Lumera is headquartered in Stockholm, with additional offices in the UK, the Netherlands, Norway, Sweden and Vietnam.

The principal owner of Lumera is Monterro, a leading software investor in the Nordics.

Building confidence in pension outcomes

Whether the challenge is preparing for buy-out, delivering a remediation programme, supporting member decision-making or transforming administration services, organisations are increasingly being asked the same question:

How confident are you that you're driving the right outcomes?

Lumera helps schemes, providers and insurers build that confidence by strengthening the foundations that underpin successful pension outcomes.

Reliable data

Better outcomes begin with trusted data.

We help organisations understand, improve and govern member data to reduce risk and create confidence in strategic decision-making, through data audit, cleansing, tracing, migration and verification services.

Supporting:

- Buy-out readiness
- Dashboards
- Platform migrations
- Data strategy
- Digital transformation

Confident outcomes

Turning understanding into action.

By combining operational expertise, behavioural insight, personalisation and evidence-based design, we help organisations improve member understanding, support decision-making and evidence better outcomes with confidence.

Supporting:

- Member journeys
- Targeted support
- Administration assurance
- Transformation programmes
- Behavioural insight and testing

Accurate benefits

Better outcomes depend on accurate benefits.

Our specialists give trustees, providers and insurers greater confidence that benefits are calculated and administered correctly. We help address benefit risks, resolve historical issues and deliver complex legislative programmes.

Supporting:

- GMP equalisation and rectification
- Benefit remediation
- Benefit audit and verification
- Insurer due diligence
- Regulatory change

Reliable data. Accurate benefits. Confident outcomes.

At Lumera, we call this
Outcomes Intelligence.

To learn more, visit Lumera.com