



Filling the Generation Gap: Public Pension Digital Engagement for All

INTRODUCTION

Modern public pension systems have realized the importance of upgrading their core systems to enhance member self-service and engagement. In today's all-encompassing digital environment, most pension members do much of their financial transactions online and have come to expect the same convenience and personalization from their pension plans. However, different member groups have embraced self-service in varying degrees. Public pensions systems can encourage greater digital engagement with strategies tailored to each group. In this Insight, we'll examine some of these tactics.

PUBLIC PENSION SYSTEMS OVERVIEW

As of 2021, America's roughly 6,000 state and local public sector retirement systems¹ have:

- 14.7 million active (working) members;
- 11.2 million retirees; and
- \$323 billion in annual benefit distributions.²

Estimated distribution of active members and inactive members was 44.3 percent and 21.1 percent³ respectively, meaning that roughly half of the current public pension membership is still working and comprised of Generation X and millennial generation members. Current retirees are, in most cases, members of the baby boom generation.

SOME DIGITAL ENGAGEMENT BASICS

Increased digital engagement among most public pension members results from hyper-personalized self-service that is intended to increase user satisfaction while reducing support costs. Hyper-personalization, a fully automated member journey, leads each individual member through a convenient, data-driven experience that, if executed well, feels fully tailored to them and comparable to a personal interaction. Built into hyper-personalization are personas, semi-fictional representations grounded in market research and systems' first-hand knowledge about existing customers. Personas bring personalization to life; instead of multiple, intangible, and generalized customer characteristics, personas actualize customer segments. Leaning on these personas allows pension systems to customize their digital experiences, whether they involve personalized financial education messages, enrollment/beneficiary updates, and/or brand awareness notifications.

For pension systems nationwide, the goal for their upgraded systems is hyper-personalized self-service via omnichannel platforms to facilitate digital engagement by all active members and retirees. The different generations that make up the current populations -- baby boomers, Generation X'ers, and millennials -- each have varying levels of engagement, often based on generational perspectives and resulting behaviors.

DIGITAL ENGAGEMENT BY GENERATION

As the two generational cohorts who make up the majority of today's active pension system workforce, Generation X'ers (born between 1965-1980) and millennials (born between 1981-1996) grew up during periods of great technological innovation and are comfortable with using technology, preferring it for rapid and seamless communication. Although Generation X'ers had to ease into working with technology and millennials take it for granted, both consider technology indispensable to modern life. As such, these generations generally visit websites on their mobile devices, are internet-savvy, and highly discerning of companies' online web presences. Pension systems should continue with their customized member service efforts to encourage frequent use of member self-service for convenience and cost savings.

Baby boomers (born between 1946-1965) have traditionally been reticent to embrace technology, but have made some allowances, particularly the adoption and frequent use of smartphones to stay in touch with family and friends. Recent research indicates that 68% of baby boomers own smartphones and 11% of them use their phone as the primary way to go online.⁴ The pandemic encouraged them to further bridge the digital gap; during the height of the pandemic, telehealth use among baby boomers increased to 48 percent from 10 percent, especially when local pharmacies started offering online ordering, delivery, and pickup.⁵ However, baby boomers and their younger counterparts remain very divided on how much they enjoy trying new technologies; some boomers indicated that engaging with technology is more of a chore than a convenience.⁶

BABY BOOMER OUTREACH POSSIBILITIES

Baby boomers' lingering reticence to engage with technology presents a key opportunity for pension plans to make member self-service more inviting. One strategy is to offer on-line portal tutorials to educate baby boomers on the ease and convenience of self-service, as well as its hyper-personalization, security, and cost-saving aspects. In some cases, member unions have partnered with public pension systems to organize in-person sessions for members and retirees on pre- and post-retirement processes and how self-service can expedite steps along the way. Another approach is to introduce member self-service portals to baby boomers via smartphone access, as well as demonstrate online calculators and other programs that can help them track their retirement investment progress. Targeted email and text campaigns about other pertinent self-service portal issues, such as beneficiary naming and retirement vesting, are also valuable initiatives to increase participation and long-term engagement. A major retirement system in a large northeastern city is using this strategy and planning to send out such campaigns to encourage portal usage and to upsell tax-deferred investment products available to members.

CONCLUSION

For member self-service that satisfies their different member generations, public pension systems need customized strategies for their baby boom, Generation X, and millennial participants to facilitate engaging digital solutions for all. While active member populations (Generation X'ers and millennials) remain frequent users of member self-service and respond well to customization efforts, baby boomer retirees require extra outreach to encourage sustained digital engagement. For all member groups, increased digital engagement can enable new opportunities for their retirements, and the guaranteed financial security and well-deserved comfort for their golden years.

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- 1 Public Plans Data, National Data, <https://publicplansdata.org/quick-facts/national/>
- 2 Ibid.
- 3 Annual Survey of Public Pensions, U.S. Census Bureau, 2020
- 4 Pew Research Data, 2019
- 5 "Baby Boomers are going digital - here's what that means for business," NCR, February 2021
- 6 Ibid.