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COMMUNICATIONS Spreading the good news

Don't keep your pension scheme a secret; spill the beans on the benefits to your employees advises Alison Plager

If there is good news, people want to hear it. Look at how the media – whether print or online – was swamped with images of the royal wedding. We couldn't get enough of it. It may seem an odd metaphor for the company pension scheme, but if you think about it the pension scheme is equally good news – and in reality for more people than just the happy couple.

But do employers tell their employees about the pension scheme? In the happy days of defined benefit (DB) schemes, there was little need to communicate much other than the annual benefit statement. However, I heard on the radio recently that DB schemes are dead, an exaggeration undoubtedly, but it is true that they are becoming a rarer commodity. According to the National Association of Pension Funds' 2010 annual survey, in that year, one in five (17%) DB schemes shut their pension to both new and existing members and only 21% of private sector DB schemes are now open to new joiners, compared with 88% ten years ago.

Instead, increasing numbers of employers are offering defined contribution (DC) schemes. These are much more complicated for the average person to understand, ideally requiring some input from the individual into how their contributions are invested.

As Sally Ling of GR Communications says, communications for DC schemes is "much more about engagement: helping to make sure that members understand how their scheme works and the risks involved". Furthermore, it does not stop with investment of contributions; there is also the end result to consider. Ms Ling warns employers that the Pensions Regulator is becoming more focused on DC outcomes, so "schemes are coming under more pressure to ensure that members have the necessary information and knowledge to buy a suitable annuity at retirement".

Not enough emphasis

Employees need to be told about their pension scheme and what they can do to improve the final value from their investments. But all too often employees simply plump for the default option when they join the scheme and then forget about it unless it is brought to their attention. "The general low levels of awareness and understanding around pensions in the UK, particularly with regard to making active DC investment decisions, suggest that companies need to communicate more, or do it differently", says JLT Benefit Communication's Jerry Edmondson. He goes on to say "the reality is that all organisations place some level of emphasis on member communication; it's a matter of degree and whether the effort is a result of conscious decision or by default".

He suggests that employers should view money spent on communication "as an element of their business risk management". The worst outcome for DC scheme members who do not engage with the scheme and make an effort to maximise its possibilities is that they will have a lower than expected pension at retirement which will leave them feeling "short changed" or unable to afford to retire.

It need not be like this. Employers can take advantage of the increased exposure of pensions in the general media. Trevor Putter of Mercer says "pensions are at the forefront of people's mind, so awareness is much higher and this can help with employer communication". Members of DC schemes will have to take more responsibility for their individual pension pot, which means they must have more involvement with it. Given that so many new members are likely to use the default investment fund, it will be critical to ensure that the appropriate fund is offered. However, such members may have little understanding of equity investment and not realise how volatile it can be. Similarly, at the other end, when members are encouraged to move their funds into a less risky lifestyle default option, this may not be right for all. Mr Putter advocates the importance of "trying to educate members" to help them make the right investment decisions for them.

It is well known that employers are not allowed to advise employees about their investments, but they can inform. One way could be "to teach a strategy for investing", says Mr Putter. "Explain what equities and gilts are, what the potential risks are, how to keep pace with inflation, etc." This way, employees are better equipped to look after their pension investment.

The result of companies not placing sufficient importance on pension scheme communication, asserts Johnson Fleming's Simon Fletcher, means they may be losing out in terms of employee loyalty. Most employees value a well run scheme, so communication is essential says Mr Fleming, "quality pension provision can only help the employer through staff retention if an employee understands and values the benefits they hold, so it is in their interest to ensure appropriate communication is provided with this expensive benefit. Return on investment is only achieved if members are engaged and value the benefit."

While DC schemes cannot offer the same results as a well run DB scheme, Mr Edmondson agrees that "effective communication can help employees see that membership is still a valuable benefit and reinforce the employer-employee 'deal'".

In a nutshell

- employees need to be told about their pension scheme and what they can do to improve the final value from their investments
- employers can take advantage of the increased exposure of pensions in the general media
- although budgets are tight, it is well worth spending money on communicating the advantages of the pension scheme.

There is also the money spent by the employer on the scheme to consider. Firms have in the past

treated member communications as a "nice to have rather than a must have necessity", says Katie Frost of SHILLING Communication. But it is a "false economy" to see communications as just another cost, as "without good quality member communications in the first place, members will fail to engage with the pension scheme, which means any initial investment in employee benefits will have been a waste of money". Such investment could run into millions. However, she adds that a recent poll carried out by SHILLING Communication was encouraging as it showed that "educating pension scheme members about DC and investments was voted the biggest pensions communications issue for 2011".

Face to face communication

So you want to communicate an aspect of the pension scheme to your employees – how is the best way to do it? While pensions do make the headlines, many people continue to have little understanding of them.

A number of benefit consultants exist who can help with communications, a selection of whom are included in [Table 1](#). They range in size from the large consultancies, eg, Mercer and Aon Hewitt, to smaller organisations and specialists including RPMI, SHILLING Communications and Second Sight ([Table 2](#)).

Before communicating a specific point, such as auto-enrolment, it is important that employees have at least a basic understanding of pensions. RPMI's Jonathan Clark says that it has found short films for inductions, intranets and the internet effective at "demystifying pensions and shifting the perception that pension information is inaccessible to the average person" (see [Case study](#)). With auto-enrolment for example, he says it is not known whether people will accept it as a good or bad thing, but it will be necessary to "develop strategies that support both camps". When it comes to communicating about it, he advises employers to "create starting points dependent on the members' level of understanding. Don't over-educate where there is resistance, but make information clearly available for those who want more."

Even in this age of high technology, however, the communication consultants are virtually at one in saying nothing beats face to face communication. Johnson Fleming's Simon Fletcher says "feedback tells us that face to face communication is the most effective and most valued and this was confirmed in recent statistics from a communication project involving around 2,000 face to face meetings". One of the benefits of this kind of communication is, says Mr Putter that "you can tell instantly if the message is understood when communicating on a one-to-one basis just by body language and feedback". This also allows the communicator to adapt the message, to try to make it better understood. However, depending on the number of members and locations involved, it may not be practical.

Costs are often a key driver for businesses, with budgets for communications much smaller than they have been in the past. Despite that, Mr Putter says that it is not necessary to spend more to be effective. First, he advocates "taking time to think about what you want". For example, if the company is making the transition from DB to DC, it needs to convey what benefits employees will get from the new scheme. Inevitably, with regard to means of communication, he says "there is still a lot of paper: people like print". Furthermore, as people are receiving less post, as emails replace paper, paradoxically, an old fashioned letter "can stand out as something important". However, he does feel that a 28-page booklet explaining the pensions scheme is likely to deter some from picking it up. An "interactive pdf" can work well, whereby the individual can click on the sections that interest them.

Money well spent

The aim of offering a company pension scheme, whether it is DB or DC, is to attract employees into it. It is an important benefit, if only because the government is keen that individuals take responsibility for their retirement and for our ageing population, it is not going to be possible to rely on the state.

Budgets may be tight, but money used to communicate the advantages of the pension scheme, how it works, etc, will be well spent.

Case study

How RPMI supported the trustee of the Network Rail defined contribution pension scheme to engage and support members in a major change

The challenge

Having taken advice from its appointed investment advisers, the trustee of the Network Rail defined contribution (DC) pension scheme has decided to introduce new investment fund choices. The trustee wanted to actively engage members in this complex change process.

Choosing investment funds is a key decision for any DC member and the trustee wanted to ensure all 12,500 members across the UK had clear and accessible information, empowering them to make the right choice for them.

The solution

Working in collaboration with the Network Rail (NR) pensions team and the trustee, RPMI created communications that translated the fund "switching" information and process into understandable terms. Using strong imagery and concepts from within NR's own industry, RPMI developed personalised communications based on a railway infrastructure theme. This helped members understand the content and therefore identify their unique starting points on the change journey.

Ensuring the communications were personalised and using designs inspired by members' daily working lives helped recipients engage with the fund changes and understand their impact.

With a uniquely diverse membership, the trustee wanted members to have easy access to the information they needed and which they could act on it at their convenience. This involved linking all printed communications directly to online content. This included a dedicated website, fund factsheets, a friendly video explaining the changes and surveys where the member could choose to receive more information via their preferred channel, ie personal email. To make the transition from print to web easy for members, the trustee was keen for RPMI to use leading edge innovation and build quick response (QR) codes into all

printed communications, as well as the more traditional method of printing a URL address. QR codes can be scanned by any 3G smartphone with a camera and take the user directly to online content, giving the member instant access without having to wait until they can get to a computer, possibly losing interest in the meantime.

The outcome

The campaign is still under way, but the results are already extremely positive. One piece of printed communication (the raise awareness postcard) shows that of those who followed a link to online content, 75% did so via a QR code. At the launch of the website, around 55% of viewers accessed it using their smartphone via the QR code.

The communications were well understood by members both anecdotally and as illustrated by the number of option forms returned to the trustee either confirming the member's preferred investment funds, or confirming they accept the default after the transition to the new funds is completed. This is what the trustee wanted from the start: an empowered membership confident with their choices.