

redefining_

member communications

| A guide for Defined
Benefit Scheme Trustees





According to the Hymans Robertson Trustee Barometer Report 2019, 43% of Trustees see improving member communications as one of their biggest challenges over the next 12 months. While it's reassuring that trustees are recognising this as an issue, a sustained and long term approach to the planning and delivery of an improved member experience is required to really address this challenge.

Here we outline some simple steps trustees can take today to improve their approach to member communication.

The growing importance of member communication

Without the right engagement strategy, members are at risk of making poor decisions that will impact the rest of their lives. A recent review into the British Steel saga highlights the need to act.

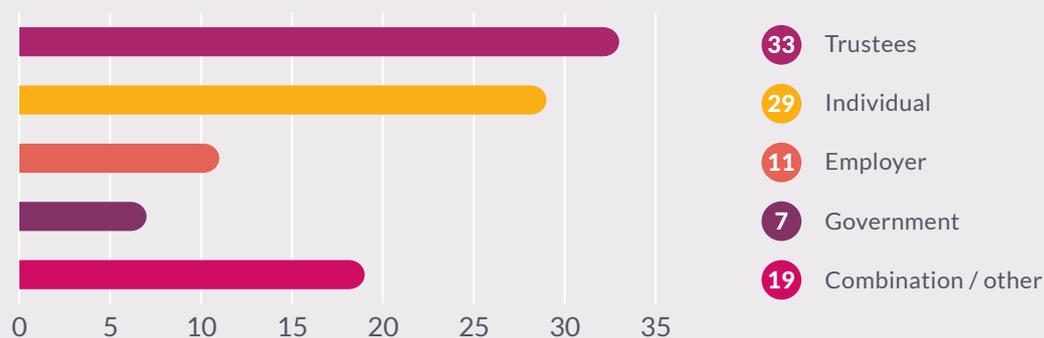
“Trustees of any scheme are unlikely to have the expertise, time or resources to develop such communications. They need professional help”.

Source - Independent review of communications and support given to British Steel members - January 2019

A number of subsequent high profile corporate insolvencies have further highlighted the need to build trust and engagement with members far earlier than when things go wrong. By that point, it's too late – members are confused and worried and are at increased risk of making a decision they will later regret.

As shown below, there is still an element of confusion around where the responsibility lies to provide this support. We believe Trustees are in the best position to facilitate this, and should develop a long term engagement strategy which aims to give members absolute confidence in any decision that will impact their benefits.

Where does the responsibility lie when it comes to educating DB members on their retirement options?



While the right approach will differ scheme by scheme and depend on a range of factors, our top tips are designed to highlight the key areas to focus your efforts on to help improve your approach.

Our top tips for building an effective communications strategy

1

Agree a “communication philosophy”

There are different viewpoints about how much to communicate to members, particularly with regard to publicising transfer values: from the “it’s dangerous to communicate anything” perspective to “we want to engage people with the choices they now face”. However, it should be remembered that “not communicating” is not a neutral position and is a message in itself. The important thing is that the Trustees articulate what their philosophy is and use that as the basis for the decisions they take and building an appropriate engagement strategy.

2

Have a long-term perspective

Defined Benefit schemes have tended to run communication programmes on a “business as usual” and an “ad hoc” basis. Typically there has been chronic underinvestment in business as usual communications and these can look and feel quite different to ad hoc communications used to support one-off projects.

There have also been considerable changes to the pensions landscape over the last 15 years – examples include the pension protection fund, pension freedoms giving members choices they never expected to make, and innovation in the risk transfer and consolidation market. To educate and build trust with members on a huge range of complex issues, you need a consistent, sustained programme of communication that should look at timescales of 5, 10 or even 15 years.

3

Consider emotional triggers

We’ve known for some time that people make irrational decisions based on their emotional state. It’s essential that the Trustees’ communication strategy is empathetic to the emotional dimension of the changing Defined Benefit pension landscape and the implications of that. These emotions might range from over-excitement at the size of a transfer value to fear and incomprehension at being faced with choices they never expected to make. The tone of voice is also critical. Communication needs to be clear, transparent and balanced, building a relationship of trust.

4

Keep it short and simple

Always a good communication principle, this is truer than ever when it comes to Defined Benefit communication. When faced with retirement packs of over 50 pages that are primarily driven by compliance requirements, it's not surprising that members might make inappropriate decisions.

5

Use technology

Don't be tempted to think that just because Defined Benefit schemes have an older demographic that technology is an inappropriate communication channel. Clearly there will be people with different communication preferences and that's likely to lead to mixed media approaches. But those in or approaching retirement resist the patronising view that they're incapable of engaging with a mobile phone, a tablet or a laptop. In particular, the use of video can be a fantastic way of bringing to life quite complicated concepts for people. How many retired people might turn to YouTube to find a video that explains how to mend something around the house, for example.

6

Start taking action now

Rather than having a reactive and inconsistent approach to member engagement, a long term plan is core to your overall strategy. We can help you deliver a seamless, future proofed experience for members, improve confidence and understanding, and drive efficiencies for trustees and sponsors over time. This will reduce risk for all parties.

Developing an improved approach to member engagement to deliver better outcomes for all parties

A lot of knowledge, experience and expertise has been built up around the psychology of money decision-making over recent years. It's time for Defined Benefit scheme Trustees to sit down with professional engagement specialists and plan how they're going to respond to the new world of Defined Benefit pensions.

Hymans Robertson and our communications partner, like minds, are passionate about the importance of member engagement and are at the forefront of helping schemes to improve their approach.

Please get in touch if you would like to discuss how we can help you design and deliver a fresh approach to your own member engagement strategy.

Contact us to find out more:



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