



The virtue of value

Placing communication at the heart of the value equation

Value' has been one of the buzzwords in the pensions industry for the past couple of years, as schemes come under increasing pressure to get value for money, to give value for members and to add value to the UK economy. But what does 'value' really look like? And what role can member communications play in helping schemes to achieve this lofty goal?

Most people probably think of value as getting more for less – a smaller outlay, and a better outcome. There's danger in that approach, however: because the former is often easier to control than the latter, the quest for value can quickly become all about cost-cutting, about trying to *do* more with *less*. We focus all of our attention on the expenditure side of the equation and think we've increased value when all we've really done is to reduce quality by spreading resources far too thinly.

The wildly successful and fabulously wealthy Warren Buffett – clearly a man who knows a thing or two – had this to say on the subject: "Price is what you pay. Value is what you get."

That's profoundly helpful, because it places the emphasis on the outcome, and

that's where any proper assessment of value ought to start. So, your investment manager reduces the charges for one of its funds – great. But how are the returns? And you've slashed your administrative expenses by moving to a new provider – great. But how's the service to members?

By and large, most people working in our industry get this, as do those regulating it and legislating for it. The Pensions Regulator's 'Value for members' guidance explicitly states: "You should consider that value for members does not necessarily equate to 'low cost'." We welcome the use of Value For Money (VFM) assessments as a tool to ensure these matters are properly considered by trustee boards.

Of course, schemes tend to sit in the middle of the value equation – on the one hand, the scheme is the client for investment managers, administrators, consultants and communications providers. The onus on the scheme here is to get value from its suppliers. But on the other hand, the scheme has a responsibility to give value to its members in the services it provides. And the value you get will greatly determine the value you're able to deliver.

In the remainder of this piece, we'll

look at value from these two perspectives, specifically through the lens of member communications.

How can schemes get value – and know they're getting value – from their communications providers? And how can member communications help schemes give value to members?

Getting value from your provider

We recommend three essentials for any relationship between a scheme and its communications provider:

1. Create a strategy
2. Set a budget
3. Leverage a reporting mechanism to measure results.

Firstly, creating a strategy:

What are you trying to achieve with your member communications in 2025 and beyond? If value is about what you get, strategy is about being able to answer the question: "What do we *want* to get – why and how are we going to do it?"

It might be that you want to improve member education in a particular area, increase member self-service, or simply ensure that members feel better connected to their pension scheme. But unless you know what your goals are, you won't be able to properly assess whether your provider has helped you to meet them – and therefore whether you're getting value for money.

Thinking strategically also helps you to ensure you're getting value on a project-by-project basis. Each item in your communications plan should serve a strategic purpose. Remember, the aim is not simply to do less, but to ensure that what you do delivers a meaningful result. Removing projects that don't serve your strategy, because they simply aren't a good use of your resources.

Equally, the strategic mindset will always be looking to triangulate your message, audience and format: are you saying the right thing to the right people in the right way? There's no sense

sending something to every member if it's only relevant for a few or sending something by post when it could be sent electronically.

Linking 'value' to communications, The Pensions Regulator specifically says you should: "Make sure you understand your members' views and needs, and that you communicate with them at the right time and in the right way to help them make good decisions."

Secondly, **setting a budget.**

We've already said that value isn't about cost-cutting – and having a budget can help with that. Ringfencing an annual spend for communications prevents a 'race to the bottom' approach because there's a protected, affordable level of expenditure designated for this function.

Of course, budgets do have to be well-informed and realistic – you don't want to be the scheme that underestimates the cost of postage and ends up spending most of its allocation on a large mailing exercise. That's where the conversation between strategy and budget becomes important: communicating electronically rather than by post could reallocate precious financial resources to spend on something more strategically worthwhile.

Thirdly, **leveraging a reporting mechanism and measuring your results.**

This is all about knowing what you're getting – and it's all-too-often overlooked by schemes whose busy schedules mean they don't make time to evaluate (a word with *value* at its heart!) the communications service they're receiving.

Each of your strategic goals should have some sort of metric by which it can be assessed, and a good communications provider will regularly and consistently update you on those. Often that means having a well-integrated set of providers who work smoothly together: if the aim of a particular piece of communication was to increase registration on your

member portal or activity on your scheme app, you'll need your comms provider to talk to the admin provider or digital services provider to see how things are going. This doesn't necessarily mean the providers have to sit under one roof – although at Gallagher we're already experiencing the benefits of sitting alongside administration teams and actuaries following the acquisition of Buck last year.

Sometimes the metrics will be simple and quantitative: website hits or email open and click-through rates don't tell you everything, but they're an essential insight into whether your money is being well spent.

Some metrics are qualitative and might require you to survey the members to establish if their knowledge is increasing, if they're happy with the service they're getting or if one of your other strategic objectives is being achieved.

This kind of analysis can be used to inform subsequent strategy, either by changing your objectives if they've been achieved (or are no longer valid), or by changing your approach to achieving those objectives if your communications haven't done what you wanted them to.

Essentially, your communication strategy should be an evolutionary process, which enables you to evaluate the results you are achieving and help you plan to achieve further success.

Giving value to your members

At the end of the day, pensions are all about the members – and so is the value equation. All of the steps taken above to ensure you're getting value from your communications provider will help you to pass on that value to your members by delivering communications that are relevant, interesting and actionable.

Thinking more broadly, member communications have a vital role to play in ensuring members understand and appreciate what they're getting from their

pension scheme. It's about turning *value* the noun into *value* the verb: members truly *valuing* what they have.

Your VFM assessment and Chair's Statement could be absolutely glowing in terms of what you've done to ensure members are reasonably charged and excellently serviced – but unless members know about it, they won't really value it. And if we're to tackle the perpetual under-saving crisis, we need people to value their pensions – to care about what they have (or don't have) enough to take ownership of their financial future and act accordingly.

And that's where member communication comes in. For the schemes who take the virtue of value seriously, Gallagher is here to help you shout it from the rooftops, on websites, through emails, in videos, via webinars – whatever it takes to get the message across successfully.

Being strategic in your approach to communications also helps you demonstrate the value you are providing to the sponsor and the members. Measuring the effectiveness of your communications gives you the ability to prove the ROI of any communications spend.

Having a communication strategy also helps you to focus on your specific objectives and drive the behaviours you want to see from members.

We must remember that effective communications focus on outcomes not outputs. It is not only about what is created, but what happens as a result.



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In association with



¹ <https://www.thepensionsregulator.gov.uk/en/trustees/governing-the-scheme/value-for-members>