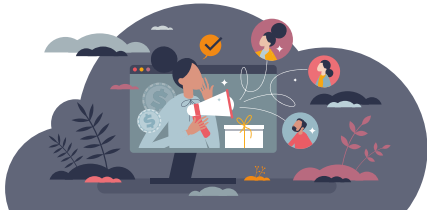


Summary

- Effective communications strategies are essential for every type of pension scheme, but particularly for DC scheme members considering how to use pension pots.
- Effective communications need to use clear, jargon-free language, to be carefully tailored and sent using different methods to engage different audiences within a scheme.
- It is necessary to try to gauge the effectiveness of communications strategies and processes, using both quantitative and qualitative metrics.
- In future, the introduction of the value for money framework may compel trustees, governance committees and pension providers to demonstrate the efficacy of member communications.



Trustees, employers and pension providers all need to communicate with scheme members regularly throughout their membership. Effective communications are essential, because they encourage members to engage with the scheme and with their pensions and can inform decisions that may have significant consequences for long-term financial outcomes. While a complete lack of engagement may not always lead to disaster, it is likely to mean that members take decisions without a full understanding of their possible consequences.

You don't have to look far to see why a lack of understanding might cause problems. Research commissioned by the Pension Protection Fund (PPF) in 2021 showed that almost one in four (24 per

Spreading the word

Communicating effectively with pension scheme members has always been important, but as more people come to rely on DC pensions, the quality of member communications will become critical. David Adams investigates efforts being made to create and measure the effectiveness of communications strategies and processes

cent) of DB pension holders assumed the pension they would get would match their current salary. But at least those people would have a retirement income of some kind – a similar lack of understanding among DC scheme members could be disastrous.

“In the DC universe, some decisions could be very beneficial, or very negative,” says Pensions and Lifetime Savings Association (PLSA) head of DC, master trusts and lifetime savings, Alyshia Harrington-Clark. “For example, a single piece of communications that encourages someone to increase their contributions could have a huge material outcome on their outcome.” Effective communications can also help protect members against pension scams.

But attempts to communicate with members also have to compete with many other items of interest and importance competing for members' attention. “Members are busy people, and pensions are not necessarily at the top of their minds,” says Gallagher director of retirement communications, Karen Bolan. “So communications must be relevant and timely ... and messaging very clear and targeted.”

Pensions Management Institute (PMI) president, and First Actuarial head of administration services, Robert Wakefield, also emphasises the need to ensure communications use plain, jargon-free language.

“You can have the best

communication strategy in the world, but if the language isn't appealing and easy for members to understand, you may as well not have bothered,” he warns.

Different methods, different messages

This is particularly important when communicating with DC scheme members approaching retirement, who may need to make complex decisions about how to use their pension pots. But 2022 research commissioned by the SEI Master Trust found that two-thirds (66 per cent) of active members in a range of workplace schemes said they didn't pay much attention to their pensions; and 65 per cent agreed with this statement: ‘My employer set the pension up and I trust that they are making sure I am paying in enough to have a comfortable retirement.’

Many schemes and employers will find it difficult to budget for the kind of face-to-face engagement and guidance processes that the work of Pension Wise has shown can really improve understanding of pensions. Instead, most DC members will need to be engaged via a scheme's communications processes.

Use of digital technologies does seem to help. “If you were to measure progress by the volume of more easily comprehensible communications, then definitely the introduction of digital has improved things,” says Harrington-Clark. “It means you can use video, and diagrams – the general move away from prose text has enhanced the accessibility

of communications. But whether that has a meaningful impact on outcomes is harder to measure.”

Bolan agrees that improvement in the quality of communications is not so important as signs of improvement in outcomes for scheme members.

“The industry is making progress, but we still see too much emphasis on what is produced – ie. a nice website and attractive messaging – as opposed to what happens as a result,” she says. “This is why our emphasis is on thinking strategically about communication. What do you want to achieve as a trustee board, or a governance board? If you set objectives that enables you to set goals and targets.”

Ideally, communications intended for different groups of members in the scheme would be tailored in more sophisticated ways than segmentation by age, as two people the same age may have very different understanding of, or attitudes to financial matters, or very different personal circumstances. Messaging content can be tailored for different audiences in different ways: For example, some demographics may be encouraged to engage more closely with their pensions if they are informed about changes to the ESG aspects of an investment strategy.

The choice of communications methods used is also important. Bolan highlights the results of recent research commissioned by the FCA that highlighted the shortcomings of email as a communications medium, in part because many people check email infrequently and find it easy to ignore messages in which they are not immediately interested. The FCA’s conclusion was that it is difficult to persuade people to engage with pensions via email alone, and that other approaches to communications should be considered.

That might mean using new technologies or channels, such as social media or AI. Wakefield says First Actuarial is about to roll out a solution

that will send members approaching a tailored, AI-based video in which avatars talk individuals through their own specific pension options.

But in other circumstances more traditional methods such as posters on the workplace wall might be the best way to communicate with some members. Hymans Robertson senior DC investment consultant, Kirsty Moffat, also highlights the importance of word-of-mouth, particularly in non-office workplaces. A pensions champion could help, she suggests: “Somebody who is tuned in with what’s going on with the pension scheme and can filter appropriate communications down to members”.

“The industry is making progress, but we still see too much emphasis on what is produced, as opposed to what happens as a result”

A quest for qualitative feedback

Meanwhile, in future the need to measure the effectiveness of whichever communications methods are used may be linked to the new value for money (VFM) framework being developed by the government, The Pensions Regulator and the FCA. The new VFM framework will assess value based on annual investment performance, service, costs and charges; and assessment outcomes will be reported. Consultation on the framework has begun; it may be in place by 2028, increasing the need to find ways of assessing the effectiveness – and therefore the value – of communications strategies and processes.

“You really need to know from the member, ‘How did this interaction make you think, or feel – and what did it make you do, if anything?’” says Pensions Policy Institute head of policy research, Daniela Silcock. “Did they find

it useful, did it impact their thinking?” She suggests that schemes might run a representative survey of members who have interacted with the scheme to try to obtain this sort of information.

Focus group findings may also be useful, if practical and affordable. But Wakefield says that even basic feedback can be useful, such as asking members what they want from communications they get from a scheme or provider, or what help and other support they might like.

In future, the roll-out of pensions dashboards may also help to boost the effectiveness of member communications. Wakefield says: “People will be more aware of what pension benefits they’ve got, and where.” But Silcock feels there is a need for additional policy intervention to boost engagement.

“There needs to be joint funding and design between government and the pensions industry and employers, to allow more tailored approaches,” she says. “We need nationwide data, so we can see whether communications have improved across the country.” She is hoping that the government’s pensions policy review will include a look at how to better support engagement with pensions, building on progress made by recent campaigns like Pay Your Pension Some Attention.

As with other aspects of the pensions system, it is certainly possible to see signs of improvement in member communications within many different types of schemes. We won’t know for many decades whether that leads to improved outcomes – but surely using well thought-through communications strategies to try to improve engagement and understanding is more likely to do good than harm.

Written by David Adams, a freelance journalist

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