

Campaign Overview

Earlier this year, we conducted a survey to assess how confident trustees and corporate sponsors felt about 10 fundamental areas of pensions risk. We focussed on areas not directly covered by the Integrated Risk Management Framework, and asked respondents to rank the risks in order of their “stay awake” factor. We have now produced a series of 10 factsheets, each one commenting on one of the survey risks. Our red risk flags highlight some key warning signs, and our mitigation tips are designed to supplement existing areas of risk mitigation. Each factsheet assumes there is an established risk management system on which additional measures can be built.

Risk 5: Poor/Limited Member Communications

Survey Result

This risk ranked fifth in our survey, but it does not feature on 45% of risk registers. The risk seems to be on the radar of far more trustees than corporate sponsors.

Comment

The topic of “member communications” features in the financial press on a regular basis, with an increasing customer expectation that information will be supplied at the touch of a button. This puts pressure on pension scheme trustees to keep communication media in mind at all times. This is not a bad thing – after all, according to Ofcom, more than half of over 55s now use a smartphone. However, discussions around technology should not distract from getting the basics right – member communications should be accurate, legally compliant and easy to understand.

Member nominated trustees can often play a key part in helping trustees to assess how pensions communications will be received. Trustees can also consider member and pensioner surveys to generate feedback.

Trustees should set communication objectives, which will, to some extent, depend on factors such as the age profile of the membership, whether the scheme is open to new members and what budget is available. Trustees and sponsoring employers may sometimes issue communications jointly, but the objectives of the parties will not always align, especially if the employer is seeking to reduce costs or to “de-risk” a defined benefit pension scheme.

Red Risk Flags

- Are there a high number of members opting out or transferring out of the scheme?
- Do member questions to trustees or administrators indicate a lack of understanding of scheme benefits?
- Are there a number of member complaints that stem from inaccurate communications?
- When did trustees last review samples of member communications?

Mitigation Tips

- Consider forming a standalone sub-committee to focus on member communications, ensuring that the accuracy of current communications is one of the sub-committee’s objectives.
- Check recently issued member communications against the scheme rules. Trustees could start with any known areas of concern (perhaps due to member complaints or recent benefit changes) or ask advisers about issues arising in similar pension schemes.
- How do the scheme members receive communications? Could more be done in terms of timing, content or media to improve the impact? Would introducing “e-comms” generate more engagement?

A Word from The Pensions Regulator

“Good member communications, provided at the right time and in the right format, are vital if members are to engage and make decisions that lead to good outcomes in retirement.”

(From a “Guide to Communicating and Reporting”, October 2018)

