

European Pensions

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Another look

Switzerland's second attempt at pension reform in four years



Shareholder activism

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Member engagement

The developments occurring to improve member communications



Finding the right balance

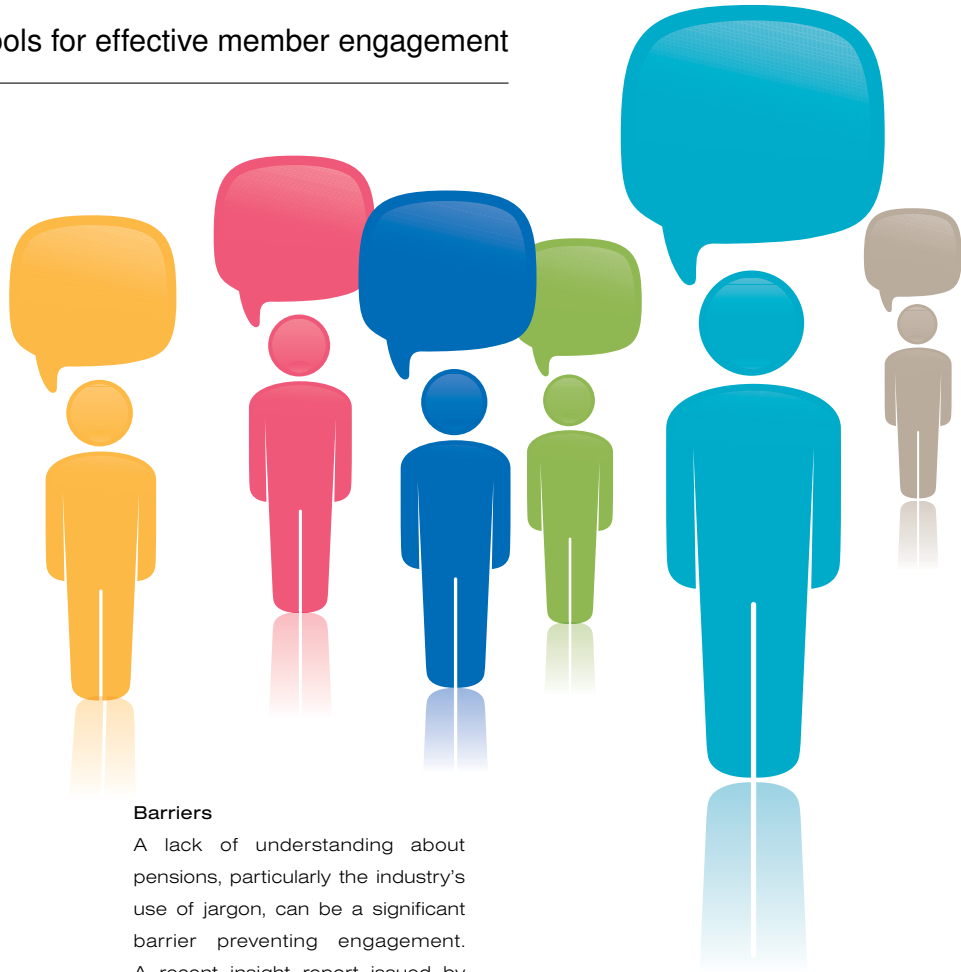
Lauren Weymouth explores the developments occurring within pensions communications and the tools for effective member engagement

Over the past few years, we've seen radical developments to the way the European pensions landscape is formed. Even the Monets and Rousseaus of the industry would struggle to paint such a scene. Changes to both state and workplace pensions have been causes for protests and strikes throughout the continent, generating headline news.

Yet, despite mainstream media's interest in pensions, there is still a need to communicate with DC members, to push their interest beyond the headlines and down towards their own retirement provisions.

As auto enrolment settles in the UK, there's been a significant shift from DB to DC. In January, The Pensions Regulator released a set of data showing that the volume of DB schemes has increased for the first time since 1997 and that DC memberships now account for 30 per cent of workplace pension memberships. The government-established multi-employer pension scheme, Nest, also announced that 20,000 members are joining the scheme each week.

So while the first simple step towards increasing peoples' interest in pensions has occurred in the UK, through more people actually saving into a pension, the next stages are somewhat harder: getting people to understand what they are saving into, and then engaging with this.



Barriers

A lack of understanding about pensions, particularly the industry's use of jargon, can be a significant barrier preventing engagement. A recent insight report issued by Capita Employee Benefits revealed that almost two-thirds of those without a pension were confused by pension terminology. Capita head of client communications Louise Harris says the insight report helped them to understand the barriers between members and trustees, allowing them to "build and create solutions that help break them down".

While jargon is one of the biggest barriers for members to overcome AHC chief engagement officer Karen Heath says: "We work in an

industry that has an awful lot of technicality surrounding it, but you don't want to turn your pension scheme members into pension experts. What you need them to understand are some fairly basic things.

"A lot of pension scheme and trustee groups need to put themselves in their members' shoes more – thinking about exactly what they need from their pension department. We don't want people to have to work hard to understand what they need to do."



At a pension conference in Stockholm last year, European Insurance and Occupational Pensions Authority (EIOPA) chairman Gabriel Bernardino said transparency needed to be enhanced so that information in pension schemes is accessible and understandable.

Bernardino spoke of the EIOPA's

also been "pushing pension funds and service providers to provide DC members with effective and transparent information".

Giving encouragement

Greater understanding and transparency makes it easier for members to engage, but actually encouraging them to do so requires teaching members about their pensions in a way that's enjoyable and easy to comprehend.

DC communications face the challenge of finding the right balance between educating and engaging members, without overwhelming them with indigestible information. "We've looked at the idea of giving people tools to play with, because that's part of how people learn," says Harris. "It could be categorised as education rather than engagement, but if we make the education tools fun, then it trips over into engagement."

Aon Hewitt head of communications Anne Oliver agrees that traditionally European communications were heavily focused on educating members, with just a small portion being dedicated to awareness activities and motivation of members. More recently, however, a more effective approach concentrates on communications comprised of three key elements: fun, ease and relevance.

"Half of our effort goes into making the information relevant, a third of our effort goes into making the communication easy and accessible and the final segment is all about making it fun, such as using gaming techniques to try and engage with people," she explains.

Of course, every country requires a different approach. "When you're working on campaigns in multiple countries, you need to make sure that the fine detail is correct, meeting each country's legislation, because

there can be significant differences," Hewitt says.

Last year, Dutch Ministry of Social Affairs State Secretary Jetta Klijnsma argued that in order to engage with members effectively, pension providers need to offer tailor-made communications to meet the unique needs of their participants, rather than taking a 'one size fits all' approach.

Braico agrees that "the pension market requests more personalised communications to members, providing them with the right tools. Members are more likely to take notice of communications that are specific to them, rather than the generic communications."

Oliver acknowledges that the key to pensions communications in different European countries is to ensure that "you're communicating with members in the ways they can best accept and often, that entails using a range of different channels".

She adds: "In the DC area, there are two obvious categories to segment and provide tailored communication for each group - members who are currently building up benefits and members who no longer work for the employer and have stopped paying in contributions."

In order to differentiate members' needs, Harris says Capita have been focusing on segmentation by commissioning people across different age bands to test communication strategies. These sessions present the opportunity to highlight which strategies are successful and which aren't. Using the results of these sessions, Harris says that they've created a different persona to represent the needs of each age category.

"We've found that graduates, who are brand new into the workforce, are often only interested in what money's gone in to their pensions and that's it. Those who



plans to introduce the requirement of a Key Information Document for the third pillar – a pre-enrolment document containing essential facts about the policy. "Such a KID could contain information about the objectives and investment policies, performance, costs and charges, contribution arrangements, a risk/reward profile and/or the time horizon adopted for the investment policy," he says. "I am convinced that the KID will be a huge step towards greater transparency and confidence in the occupational pensions field."

Previnet senior manager Martino Braico says Italian regulators have



are in the middle of their career, however, are much more interested in what they're going to get out at the end. Therefore, we understand that they're more interested in investments and how much more they can put in," she says.

Future approaches

Arguably, some European countries are more ahead of the game than others with encouraging interest in pensions.

The UK has seen significant developments, and as a result of such a mass of mainstream coverage, is certainly well on its way to 'getting it right' in terms of communications. The problem, however, is that auto-enrolment isn't necessarily the incentive UK members need.

Despite its positive effect, Harris argues that there's a "huge danger" that auto-enrolment doesn't actually help the inertia people have towards pensions in the UK. "We've gone through a huge culture change to move to a more DC environment and now that auto-enrolment has come along, it's made engagement

that bit more of a challenge again," she says. "Because pension saving is now automatic, we have to start building knowledge and engagement from the bottom up."

JLT Employee Benefits director Mark Pemberthy says that online services can help the industry to build up this engagement.

"We can see that DC communications are gradually being geared towards a digital audience, but there is still room for improvement"

"There's been a lot of research into behavioral economics, showing how getting people to commit to long term saving goes completely against human nature," he explains. "To address these issues, we've been working on a number of initiatives over the years, many of which are delivered through our online portal BenPal. We've found that 'little and often' has the most impact on member behaviour."

"We can track the number of times people are actively logging onto the system and reviewing or making changes to their schemes. The incidents of that happening on a prompted basis significantly outstrips the rate of online engagement that we see through pensions and benefit portals when it's just on-demand information only."

For Braico, the next developmental step would be to incorporate social media tools into corporate communication strategies – something the pensions industry is currently not doing enough of.

"We are aware that people get much more involved when

information can be quickly accessed via their mobile phone or portable device," says Braico. "People are continuously connected and it's simply a more natural and powerful way to connect compared to traditional web-based solutions."

Previnet have a clientele of over 200 schemes, all of which Braico says show examples of effective communication by sending out e-mail and text alerts to their members. "Members are proactively notified on the main events or new documents related to their pension scheme. E-mails and text messages can help to reduce the information gap between end-users and back-office," he says.

In the Netherlands, a platform system has been designed for users to log onto using their citizen's service number. Once they are granted access to the system, people are able to view their various pension pots online.

We can see that DC communications are gradually being geared towards a digital audience, but there is still room for improvement.

As Braico highlighted, the next major step for pensions would be to use the power of social media. There has never been a more appropriate time to start educating and engaging with members than now, when there is such a multitude of platforms.

European pensions have seen rapid reform over the past few years, and arguably, the communications aspect has not developed quite so quickly. However, as Europe slowly shifts towards digital communications – out of its comfort zone and towards the modern member, we can expect to see a much more educated, engaged and connected industry.



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