

# Fruitful dialogue

It can be hard to get staff to take an active interest in pension schemes, but promoting greater engagement will bear fruit for employers, says Jenny Keefe

If celebrities' views are anything to go by, Britain is a nation of pension-phobes. This is evidenced each week in the *Sunday Times*' Money section, when the paper taps up various stars for their views on personal finance, including their pension plans.

Firstly, there are those who do not have a retirement fund, such as model Jodie Kidd. "I don't have a pension," she says. "I understand property much better."

Then there are the disengaged. For example, actress Helen Baxendale says: "I have not looked at my pension for the past nine years, and I can't even remember what firm the money is with."

Finally, some are just boiling with rage, such as former television presenter and politician Robert Kilroy-Silk, who says: "I was assiduous in building up my pension, but over the last year or so it is down by about 30%, perhaps more. I am in denial. I have stopped contributing now."

## Employee interest

Such downbeat responses capture the public mood when it comes to saving for retirement. James Biggs, associate director of Jelf Employee Benefits, says: "Brits are guilty of either apathy or fear in relation to pensions. They all know how much they have in savings in the bank, but very few know how much they have in their pension account, which fund it is in, or what it might be worth when they are [aged] 65 [years]."

"They simply get a paper statement once a year and toss it onto the one from last year. We call this the 'shoe box of shame'."

A report published by pensions analyst Club Vita in January 2009, *The years ahead*, showed that 59% of UK workers are not



confident that they will have enough money in their old age. The survey found that just 13% of respondents thought their company pension scheme would have the single most positive effect on their retirement.

So employers that want to engage their staff with pensions have a monumental task on their hands. But those that take steps to do so will find it worthwhile, says David Kasamaki, channel sales director at Motivano. "If employees engage better with their pension, they are taking a step closer to engaging more with the business," he says. "Many argue it is the employer's duty to not only provide access to pension schemes, but to ensure the workforce understands them."

### Increased costs

Some organisations may worry that greater employee engagement will result in a sudden spike in pension costs as freshly-enthused workers dash to join the scheme. But with the government pressing ahead with compulsory employer contributions in 2012, organisations face bigger bills anyway.

Charlie Carrick, sales director at JLT Online Benefits, says: "Personal accounts will change the pensions landscape, so we will have to make it easy and encourage employees to join. Employers will do this eventually, either by legislative force, competitive pull or, hopefully, by a desire to turn pensions into an interactive and integral part of working life."

When it comes to engaging staff with pensions, financial education can teach them the value of saving for their old age, says

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*James Biggs, Jelf Employee Benefits*

Jonathan Watts-Lay, director of JPMorgan Invest. "Relevant and engaging seminars, supported by simple tools, will get employees interested," he says. "What will not work are brochures and intranet sites which laboriously explain a pension scheme. Even if workers do read them, these materials concentrate on funds and investment choice, rather than reasons to save."

Revitalising pensions communication can be as simple as changing the wording of statements, says Trevor Rutter, a senior associate at Mercer. "The key is to provide timely, relevant and personal communication that makes pensions accessible. For example, when matching contributions, tell staff: 'Last year, £1,200 came out of your take-home pay, but a total of £4,000 was paid into your pension'. This is more powerful than saying: 'You paid 5% and your employer paid 5%'."

New technology is also a great way to grab workers' attention. From online games to pensions modelling tools, there are many high-tech ways to get staff thinking about their financial future.

Brian Critchell, senior communities executive at Anthony Hodges Consulting, says: "Understanding your audience and their styles of communication is the first step to creating a dialogue. If most of your audience are under 30 years old, they will already be hardwired to search for information on the web and use it to make decisions about purchases, so design your applications from their perspective."

Another option is video or DVD presentations. "One thing we are all good at is watching television and blockbuster movies," says Critchell. "Targeted video presentations ensure employers engage with employees who cannot access the internet but have a home DVD player."

### Understand investments

Pensions communication should not stop once an employee has signed up to a scheme, however. There are still many staff whose pension statements languish, pristine and untouched, in their cellophane wrappings. So employers should also work to encourage staff to keep a closer eye on investments.

When doing so, organisations should use plain English, not investment-speak, says Rutter. "Workers need jargon-free guidance on making their selections. Having said that, communication can only go so far. ▶

## CASE STUDY

### Molton Brown

Since launching its defined contribution pension scheme in April 2008, luxury cosmetics group Molton Brown has used a range of tactics to help its staff see the beauty of saving for retirement.

The company, which has 712 employees in the UK, promoted its DC scheme through group presentations and one-to-one meetings. Its pension provider also called each employee individually

to run through the options.

Natalie Morgan, HR and development director, says: "Communication was a challenge, not least because of the unusual combination of employing manufacturing, retail and head-office staff."

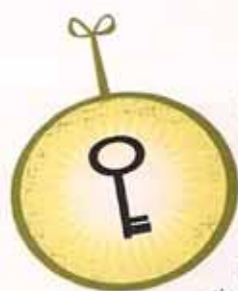
A few employees were dubious at first, she adds. "We wanted to ensure everyone was secure in the knowledge that the company was

doing this properly. Some of the older generation had a fear about company pension schemes because of the Maxwell days. They wanted reassurance that whoever was appointed would be secure. Others wanted to know that it was flexible to take with them if they did move on."

Thanks to its communication strategy, one in five Molton Brown employees (21%) joined the



scheme, which Morgan believes is good for the industry. "If you are in retail, you have to accept that large numbers of transient employees will not join a pension, but you still should not abdicate your company responsibilities," she says.



It is important a scheme is well designed, with appropriate default investment options for members who do not take an active interest in their funds."

The trouble is, once employees see how much their funds have dropped, they may wish that they had left their pension statement unopened. As the recession hits share prices, there is a danger that apathy could turn to anger. Motivano's Kasamaki, explains: "With share prices tumbling, it is essential to have the functionality to be able to switch funds quickly online and to have access to good advisers."

### Long-term investment

That said, employers should try not to trigger panic. "Remind staff that pensions are a long-term investment and, in most cases, they will have enough time to recover their losses," says Kasamaki. "If they have not, they need access to good financial advice."

As the recession hits benefits budgets, organisations may find they need to cut their employer pension contributions. In such cases, breaking the bad news to employees can be hard to get right.

Andreas Hunter, an independent financial adviser at Tisco Financial Planning, says: "Employers should explain with care and understanding, but also with clarity and honesty. If [they] are reducing pension

contributions, [they should] explain why. Most members of staff would rather have reduced pension contributions now and a job in the future."

But it is not just employers that are trying to make cash stretch further. With household finances under severe strain, some employees are slashing their contributions too. A November 2008 report by insurer Axa forecast that one in 12 people would take a pension contribution holiday over the next two years. People aged between 35 and 44 years were the most likely to be planning to cut back on their pension contributions, said the insurer.

Stephen Taylor, senior lecturer in human resource management at Manchester Metropolitan Business School, says: "It is very difficult. I remember working as an HR officer in the National Health Service during the last recession and almost pleading with staff not to pull out of schemes and [take their] cash [instead of] contributions. But when times get tough and partners lose their jobs, it is very tempting to access funds in this way, even though it is not in their long-term interests."

### Informed decisions

"All that an employer can do is to provide the information in a clear, understandable way so that their employees can make an informed decision."

But he adds employers currently do not do this well enough so it is vital to spell out to workers exactly how much their pension pot

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would plummet if they stopped contributing to it. For example, the aforementioned Axa report calculated that a 28-year-old man on average earnings who stopped contributing to his occupational pension scheme for two years would have a pension pot worth £33,800 less when he retired than if he had kept up payments. If more employees were aware of this, they might be persuaded to find other ways to economise.

One *Sunday Times*' interviewee who will be keeping up his contributions is news presenter Dermot Murnaghan, who appears to be the celebrity voice of reason. He is reported to have said: "If I was given £1 for every time someone said their property was their pension, I would be a rich man. What are these people going to do in their old age – live in a tent?" ■

## CASE STUDY

### Honda

Plain-speaking pensions communication has paid dividends at Honda. Jo Malone, benefits and wellbeing manager, says: "Pensions can be an area that associates find daunting because, generally, the information available on the web or in publications can be overwhelming. We provide straightforward and illustrative pension materials to help

associates understand the benefit that is on offer."

The car-manufacturer, which has 550 UK workers, tries to hook in new recruits from the start, says Malone. "We spend time with new employees giving an overview of the pension scheme when they first join the company, explaining the importance of joining sooner rather than later," she explains.

Regular communication is vital, she adds. "We arrange presentations to all associates every six months, to remind everyone why pensions are a good way to invest for the future."

Staff can then book a slot with a personal adviser, if they wish.

The firm also operates a final-salary pension scheme, which is closed to new recruits. Trustees



communicate to members via the annual *In Touch* magazine. "It is an eye-catching way of capturing key points, as well as keeping members up to date on pension legislation," says Malone.