

Coronavirus communication essentials

Summary

- While staying in touch is important, it can be equally vital to avoid drowning members in a sea of unnecessary information.
- Member communication is not a ‘one size fits all’ problem; strategies might need to be different depending on the type of scheme and the type of member.
- Simplicity and reassurance can be used to help savers avoid panicking and making investment decisions that they might later regret.

Duncan Ferris tackles the issue of communication in the Covid-19 crisis, looking at the appropriate frequency, content and format of messages to scheme members

The American linguist and philosopher Noam Chomsky theorised that humans developed language around 100,000 years ago as a consequence of a random genetic mutation forming the language faculty of the human brain. At the time, essential communication probably involved arguing over food,

water and who was the top caveman.

Many centuries later, we have matured a little as a species and expanded our vernacular with the help of luminaries such as Cicero, Shakespeare and Dan Brown. Now we can use language to convey complex ideas, such as how retirement savings might be faring in a crisis. So that begs the question, just how can schemes deploy communication to members during a worldwide pandemic?

Frequency

One key facet of establishing a strategy for member communication is working out just how often contact should be made. While there might be a temptation to inundate members with long strings of reassuring emails or letters, this might not be the wisest course of action.

Pensions Administration Standards Association (Pasa) chair, Kim Gubler, agrees, stating: “It’s a fine line between enough and overload. If the scheme already has a communication plan in place and understands the needs of their

members in ‘normal’ times, they’ll be better prepared on how to message them now.”

Pensions and Lifetime Savings Association (PLSA) head of DC, master trusts and lifetime savings, Lizzie Holliday, goes further when considering the logistics of communications, stating that schemes should seek to balance “the volume, channels and targeting of communications”, particularly for savers who are facing pressure.

“We know some schemes are adding messages to out-of-office or automatic email responses, or providing additional information on scheme websites for those who want to know more. Some are adding additional prompts to interactive transaction functions and targeting specific messages around certain activities,” she says.

Of course, communication with members is not simply a one-way street, as any situation where global markets drop by double figures could lead anxious savers to worry that their savings are not secure.

However, Holliday states: “The PLSA’s own polling of our members showed that half of schemes have experienced no change in the number of incoming member queries and 15 per cent have actually experienced a fall in the typical number of queries.

“This suggests to us that most people have confidence that their pension is well-managed or they have more pressing short-term worries than their pension.”

Even so, there remains the possibility that member queries could start to rise the longer the coronavirus crisis continues to drag on, especially if the economy shows further signs of struggling. Because of this, it’s also a good idea for schemes to identify a strategy to deal with an increase in queries before this becomes a problem.

Equiniti CEO EQPaymaster, Duncan Watson, says: “To help keep call response times as low as we can, we’ve been encouraging non-urgent enquiries to go through email.”



Transmission content

Perhaps the most important aspect of communication strategy at this time of crisis is what information needs to be passed on to members to reassure them.

Many schemes have already attempted to keep members cool, with 50 per cent of respondents to an Aon poll stating that they had reassured members and a further 21 per cent confirming that they planned to do so.

But Holliday explains that giving information to members can be “a double-edged sword” as being too keen can lead to handing over material that “isn’t useful, or worse, prompts people to act in ways that are not in their long-term financial interest – such as switching investments and locking in losses.”

Premier Pensions head of administration services, Girish Menezes, says: “Trustees need to consider scheme, demographic and psychographic specific member issues and the most appropriate communication. It should be constructive, reassuring and valuable, rather than creating concerns and queries where there are none.”

According to Holliday, the key messages of reassurance that providers and schemes should be sending to members are “that pension savings are well protected by the Pension Protection Fund and the Financial Services Compensation Scheme, that their investments are well diversified to defend against these kind of shocks, and the best course of action for the vast majority of workplace pension savers is to stay the course”.

She adds that schemes should also inform members nearing retirement if they are “protected by either secured income promises or lifestyle investment strategies”.

However, Holliday explains that schemes “might need to communicate that it may be a good idea to delay or reduce the amount savers take out if they can afford to”, adding that directing savers to the PLSA’s Retirement Living Standards could be a useful measure.

DB and DC

There is also the issue that a scheme’s approach might need to be different depending on whether it is a defined benefit (DB) scheme or a defined contribution (DC) scheme.

When it comes to DB schemes, Menezes, comments: “Many of our clients are sending out targeted communication to their members reassuring them about the security of the scheme and stability of the sponsor.”

Gubler says: “Many DB members are deferred or pensioners, so they need to know their trustees are looking after the scheme, it can pay pensions, any benefits on retirement or death and any agreed transfer settlements. I don’t believe they need to know the granular detail. It’s about reassurance.”

DC schemes are “a bit more complex, especially to members who are nearing retirement”, says Menezes, adding

that “trustees are still assessing the likely impact, prior to making a decision on the appropriate way forward”.

He suggests that members of DC schemes might appreciate some level of “financial education or IFA support” in order to have a greater understanding of their pension pot.

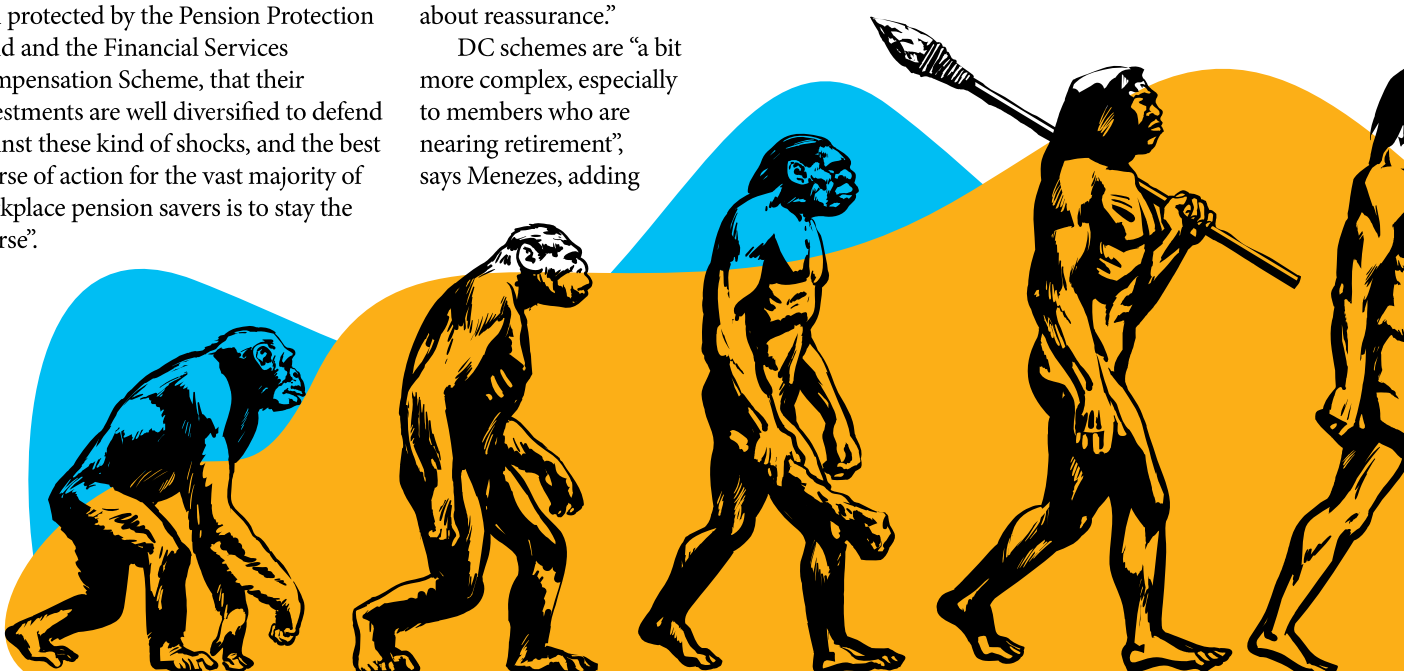
These savers might be distressed about their pensions amid struggles to keep up with contributions due to furlough or unemployment if they have a career in an industry that has been particularly affected by the coronavirus pandemic.

Gubler says: “Here is where segmentation can really help a scheme target its messaging, so people can feel it applies to them. So, if they’re contributing, deferred or in drawdown, the message needs to be factual but, again, reassuring.”

“The most important thing is not to act rashly and crystallise losses if they can help it – to keep calm and to understand the governance body is monitoring their investments.”

Scams

While on the one hand frantic members could act rashly through unwisely crystallising their savings, they could also



be at risk of exploitation at the hands of those looking to pilfer their retirement savings.

The issue is a growing concern in the industry, with The Pensions Regulator being worried enough about scammers running rife during the coronavirus crisis to have instructed trustees to warn DB scheme members looking to transfer to DC schemes against doing so for the time being. Trustees have the chance to go further than this to protect their members through communication.

Gubler says: “Research has shown it doesn’t matter what socio-economic classification they come under, sadly everyone is vulnerable to scammers. But pensioners who may be self-isolating are particularly at risk. If a scheme can insert a message on a payslip or website advising them to watch out for unsolicited calls, visits or emails that can help. But it needs to be done with tact.”

She states that it is worth taking simple steps such as setting up “a scam awareness page or message on the website”, or reminding members to watch out for “big promises or free reviews”.

Holliday comments: “Messages should focus on what to look out for – such as illegal cold calls or promises of unrealistic returns or exotic sounding

investments. Providers should explain how to spot a genuine communication from them and direct people to the FCA’s Scam Smart tool if they are suspicious.”

As well as engaging with members, Aon partner, Gary Cowler, states that it is a good idea for schemes to communicate with administrators to “refamiliarise themselves” with processes that might be in place to protect against scams in order to “stay ahead of the would-be fraudsters”.

Format

As well as the frequency of messages and what details are included, the manner in which schemes choose to interact with their members during the coronavirus crisis is also a key consideration.

Watson says: “Simplicity and concentrating on the key messages to help people through these difficult times are crucial. The format of member communications should be clear, easy to understand and concise to avoid members wading through pages of complexities that may confuse rather than help.”

Holliday agrees, stating that communications need to be “in plain English” and “easy to understand”, while she also urges the avoidance of barraging members with “too many confusing messages at once”.

The duo also concurs that these simple to understand messages should be accompanied by materials to help

confused members receive information.

Holliday says: “It is also a good idea to encourage members to seek financial guidance or advice if they have questions or are unsure what to do and to point them to government services like The Pension Advisory Service and Pension Wise for more information. In short: reassure and signpost avenues for further information.”

Watson argues: “All communications should include advice about how to contact the scheme or other sources of information and guidance, so that members don’t feel that communication ends with generic mail-outs.”

Gubler also points out that it’s probably best to avoid using online means to contact pensioners who might not be “tech savvy”, adding that “for non-pensioners, web is probably best”.

The round up

While strategies might vary between DC and DB schemes, the overriding message remains the same. The purpose of communications in crisis situations is to ensure that members stop short of panicking and running right into a decision they could regret. While a number of different measures have been suggested, the key seems to be keeping in regular contact and using simple, concise language.

Worried savers need their schemes to offer an arm around the shoulder, rather than the chirping of tumbleweed or a daily face-full of confusing jargon. The wrong measures could send them hurtling into the arms of risky investments or scams that will rob them of their retirement income, so it is essential to consider communication strategies seriously.

It might be a challenging balance to strike, but, considering the 100,000-year period in which we have honed our communication skills, I’m sure we can work it out.

Written by Duncan Ferris

