



**Pension
Quality
Mark**

Pension Quality Mark
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Introduction

Pension Quality Mark is a quality standard for DC schemes. It was developed by the National Association of Pension Funds and launched in September 2009.

Pension schemes are assessed on three core standards:

1. Contributions
2. Governance
3. Communications

The Standards document can be downloaded from <http://www.pensionqualitymark.org.uk/thestandards.php>.

This paper outlines possible changes to the communications standard and seeks stakeholders' views.

Current communications standard

The key to good communications is that they have to be clear, engaging, easy to understand and regular.

The current PQM standard focuses on these key aspects of effective communication. There is a requirement for clear and engaging communications at joining or induction, on an ongoing basis, and at retirement.

Although the communications standard is already good and has created a benchmark within the industry, it needs updating for a number of reasons:

- To keep pace with developments in the industry and increased use of technology.
- To recognise emerging best practice on member communications
- To make the requirements more transparent - so they can be applied consistently and so applicants can see what is expected

The PQM communications standard needs to remain current and fit for purpose, bearing in mind that it has to be fair to schemes of all sizes, with a variety of membership profile and behaviour, and both trust-based and contract-based. Therefore we are looking to achieve the following:

- Put more measurable requirements in place
- Specify more detail as to what is required, both in terms of quality and quantity
- Improve the standards where necessary

For example, currently the standard on joining communications only explicitly covers written communications. However, many PQM applicants hold one-to-one meetings or group presentations with the new employees to encourage them to join the scheme. If done well these can have a big impact on employee engagement and subsequently the take-up of the scheme. However, these face-to-face communications are not feasible for all employers, so it might be unfair to require them.

Effective communications

We are interested in stakeholders' views about what makes communications on pensions effective.

Q1 What do you think are the main characteristics of effective member communications? Do these characteristics change for different types of employees?

Communications at joining

The PQM standard states that employees should be communicated to at joining the scheme and/ or at the induction when joining the company.

Q2 Should the standard be more specific about when new employees should receive communications, and the format of these communications?

Types of ongoing communications

The PQM standards currently require one of the three following types of ongoing communications to scheme members:

- a) Face-to-face (eg individual advice/group seminars/ telephone helpline); or
- b) Tailored information (eg on-line access to pension accounts); or
- c) Generic information (eg newsletter/ written update).

Q3 Are there any types of communications that should be added to this list, or should any be taken off?

Q4 Bearing in mind the different sizes of schemes and often limited financial resources, should the PQM standards state that more than one of these types of communications have to be used?

Engagement with ongoing communications

Currently schemes are required to show that they produce communications, but do not have demonstrate the level of engagement with or take-up of these communications.

Q5 Where there are online communications, such as an online pension account, should the scheme have to demonstrate how they have encouraged members to use these tools? Would it be possible to require a certain level of take-up of these online tools, or would this be unfair on schemes with demographics that make it difficult to get members to engage?

Q6 Likewise, where communications are offered face-to-face or through a telephone helpdesk, should the scheme evidence how the members are encouraged to make use of this offer? Would it be possible to require a certain level of take-up of these offerings, or would this be unfair on schemes with demographics that make it difficult to get members to engage?

Quality of written communications

Written pensions communications can often feature jargon without any clear explanation. There is no explicit requirement in the current PQM standards to explain the jargon in a certain way.

Q7 Should the PQM standards explicitly state that all jargon terms need to be highlighted and clearly explained separately either in a glossary or throughout the text of the document?

All DC scheme members have to receive an annual statement. However, these are not often easy to understand, and may be a missed opportunity to communicate with scheme members and encourage them to review their investment choice and progress.

Q8 Can annual statements be an effective way of engaging scheme members, and should the PQM standards specifically refer to these statements?

Retirement communications

The current PQM standards do not specify the timing of communications 'at retirement'. There is a legal requirement for the scheme members to receive communications at least six months prior to the retirement date.

Q9 Would it be reasonable for the PQM standards to require for these communications to be sent at least 12 months prior to the retirement date? How feasible is this in practice?

The current PQM standards for 'at retirement' communications states that all the options at retirement should be clearly explained. A special emphasis is put on the communications about the Open Market Option (OMO).

Q10 Should the PQM standards be more detailed on what options need to be explained? For example should we insist that enhanced annuities and income drawdown to be clearly explained?

Many PQM applications offer more than just generic written material, and facilitate access to annuity brokerage services or IFAs for current employees

Q11 Is it reasonable to expect all PQM applicants to provide access to help or advice with retirement income planning to current employees approaching retirement?

Contact and responses

We are seeking your views as to how the PQM communications standard should look like. Please submit your answers to the following questions to Alexandra Kitching at Alexandra.Kitching@pensionqualitymark.org.uk by 31 May 2011 or call her on 020 7610 1705 if you need further clarification on any of the issues raised in this discussion paper.

Summary of questions

1. *What do you think are the main characteristics of effective member communications? Do these characteristics change for different types of employees?*
2. *Should the standard be more specific about when new employees should receive communications, and the format of these communications?*
3. *Are there any types of communications that should be added to this list, or should any be taken off?*
4. *Bearing in mind the different sizes of schemes and often limited financial resources, should the PQM standards state that more than one of these types of communications have to be used?*
5. *Where there are online communications, such as an online pension account, should the scheme have to demonstrate how they have encouraged members to use these tools? Would it be possible to require a certain level of take-up of these online tools, or would this be unfair on schemes with demographics that make it difficult to get members to engage?*
6. *Likewise, where communications are offered face-to-face or through a telephone helpdesk, should the scheme evidence how the members are encouraged to make use of this offer? Would it be possible to require a certain level of take-up of these offerings, or would this be unfair on schemes with demographics that make it difficult to get members to engage?*
7. *Should the PQM standards explicitly state that all jargon terms need to be highlighted and clearly explained separately either in a glossary or throughout the text of the document?*
8. *Can annual statements be an effective way of engaging scheme members, and should the PQM standards specifically refer to these statements?*
9. *Would it be reasonable for the PQM standards to require for these communications to be sent at least 12 months prior to the retirement date? How feasible is this in practice?*
10. *Should the PQM standards be more detailed on what options need to be explained? For example should we insist that enhanced annuities and income drawdown to be clearly explained?*
11. *Is it reasonable to expect all PQM applicants to provide access to help or advice with retirement income planning to current employees approaching retirement?*