

Chartered Institute
of Personnel and
Development

Pension communications

Realising the value

a guide

Pension communications: realising the value

– a joint CIPD and The Employer Task Force on Pensions guide

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Contents

Foreword: Sir Peter Davis (The Employer Task Force on Pensions)	4
Foreword: Charles Cotton (CIPD)	5
Introduction: Good practice in pensions communication	6
Part 1 BAE Systems: Using communication and consultation to effect difficult changes	8
Part 2 Nationwide: Helping a young workforce understand and appreciate Defined Benefits	11
Part 3 Honeywell: Communicating the introduction of a new Defined Contribution plan	14
Part 4 GAP: Selling a stakeholder scheme to employees	18
Part 5 Aon: Communicating to employees online about pensions	22
Part 6 Eli Lilly: Using 'flex' to communicate pension choices to staff	25
Part 7 Acme Whistles: How a small employer communicates to staff about its pension arrangements	30
Part 8 Royal Bank of Scotland: How a large employer communicates pension information	34
Part 9 Emap: Selling benefits to a young mobile workforce	37
Part 10: How to communicate about pensions	41
Conclusion Good practice in pension communication	44
References	45
Annex A Key elements of the pensions message	46
Annex B Checklist for communication	48

The Employer Task Force on Pensions foreword

The Employer Task Force on Pensions was set up by the Government in 2003 to look at how employers can help increase and extend occupational and private pension provision within a voluntary framework. As our work has developed, communication has emerged as one of the key areas of interest.

We have been particularly struck by the lack of awareness of the importance of pension saving and the lack of understanding of the value of employer pension provision.

Lack of awareness has a direct effect on demand. If employees don't sufficiently value pensions, employers are less likely to provide them, so it is essential for levels of awareness and understanding around pensions to be increased. At the same time, companies have a real interest in increasing awareness in order to achieve full value from providing a pension for staff.

The workplace represents a key channel for achieving greater awareness, and there are a great many things that employers can do to increase understanding of pensions among their staff.

The Employer Task Force on Pensions is delighted to have worked with the Chartered Institute of Personnel and Development (CIPD) to produce this Guide. It highlights some of the good practice already out there in pensions communication and seeks to act as a resource to help employers understand the kinds of things they can do.

Sir Peter Davis

Chairman, Employer Task Force on Pensions

CIPD foreword

The American satirist, Dave Barry, is reported as saying that he couldn't understand his pension 'no matter how many beers I drink'. Our own research shows that he's not alone in his confusion. Yet it's important both for business and society that people do understand about pensions.

Used appropriately, a pension scheme can aid employee recruitment and retention and can have a positive impact on employee relations. Yet if organisations fail to communicate their schemes effectively, they will fail to reap the HR, and ultimately the business, benefits.

And it's important for society because if people are not financially aware, they can't make informed choices about their retirement, and they may find that they have less to live on in retirement than they expected.

The current debate on pensions is characterised by lots of complexity and confusion. However, one thing that everyone in corporate and political life agrees on is that levels of communication and understanding of pensions have to improve markedly. The Government is addressing these issues and the CIPD is delighted to have been involved with the Government-appointed Employer Task Force in Pensions in producing this Guide to help employers to realise the maximum value from their schemes.

The Guide is aimed at reward, benefits, pensions and communication specialists within organisations. Its purpose is to help employers who decide to offer a pension scheme to employees to communicate it effectively, by:

- demonstrating good practice
- showing how some key pension challenges are being addressed within a number of organisations
- providing ideas and tools to use.

Pensions are a big cost. This Guide shows how, by communicating effectively, this can be turned into a big investment for business and society.

Charles Cotton

CIPD Adviser, Reward

c.cotton@cipd.co.uk

Introduction: Good practice in pensions communication

The chances are that, if you're reading this Guide, you already offer your staff access to an occupational pension scheme. Whatever the initial drivers for doing so, offering such a scheme should provide real benefits to your company, not just in terms of recruitment and retention of high-quality staff, but also in more subtle ways – by engendering a belief among employees that the company values them and what they do, and by contributing to a positive perception of the company within the wider community. Where employees believe this, they are likely to be more engaged with the goals of the company and therefore more committed to their delivery.

In providing a pension scheme, companies travel most of the distance towards realising these benefits. But in too many cases, they fall at the final hurdle by failing to adequately communicate the value of the scheme to their current and potential future staff. Put simply, if employees don't understand the pension provision they're offered, they can't value it, and then companies risk failing to achieve the benefits on offer. For what in most cases will be a fraction of the cost and effort of providing the scheme in the first place, it is possible to maximise the returns on your investment in providing a pension.

Too often, communication is seen as an optional extra rather than an integral part of the administration of a pension scheme, whereas in fact, communication should be a strategic aspect of any pension initiative. The true value of any communication programme is not what it costs but its effectiveness. An organisation that spends time planning its communication strategy is likely to be one that is better perceived by its employees than one that is concerned with the fine details of its scheme (Sierra 2004). Money spent on effective communication will more than repay itself in terms of enhanced employee perception of benefits.

For many individuals, their employers' pension arrangement is the best form of saving for retirement. Yet in its paper, *Simplicity, Security and Choice: informed choices for working and saving* (2004), the Department for Work and Pensions (DWP) estimates that up to 4.6 million people haven't joined their occupational pension arrangement. The Department believes that for some of these employees, this is due to a lack of understanding, and that by not joining they are foregoing the benefit of their employers' contributions to the schemes, which may be a significant amount.

This view is supported by research, which finds that in spite of the large amounts of money involved, employees' understanding and appreciation of employer-sponsored arrangements is poor (Mayhew 2003). In particular, while people find the concept of Defined Contribution (DC) pensions relatively easy to understand, there is little appreciation of how such schemes operate in practice. Most members rely on default investment options and make no attempt to manage their funds (Ling 2004). Although employer contributions to Defined Benefit (DB) plans are typically higher than those made to DC schemes, not all employees even

recognise that their employer makes a contribution towards their pension. Effective pension communication can help employees appreciate the value of their employer contributions and encourage them to save enough for a decent income on their retirement.

As a result of the negative press coverage that the pensions issue has attracted in recent years, employees are more aware about pensions, but in a way that makes them suspicious rather than appreciative of their occupational scheme. This means the employer has another hurdle to overcome in getting a positive pensions message across to existing and potential employees about the value of the scheme.

The organisations described in this Guide all have in common a recognition of the value of good pensions communication. They have a variety of scheme arrangements, and a range of challenges to face around their workforce demographics and available budgets. As a result, they have taken very different approaches to communication, but each with the aim of ensuring that their staff recognise the value of the pension scheme on offer. Their cases provide a resource for others to learn from, and a source of innovative ideas around pensions communication that should help others achieve the full benefits of providing a pension.

Part 1 BAE Systems

Using communication and consultation to effect difficult changes

- BAE Systems was formed in 1979 from a number of aerospace and defence companies. In 1999 it merged with the defence business interests of GEC to form the present company. It has a strongly unionised workforce of around 44,000 in the UK, based in about 50 locations.
- As a result of its various reconstructions, BAE has five UK pension schemes. The main scheme, which is valued at around £4.5 billion, has several sections that provide benefits on a final-salary and hybrid basis and approximately 98 per cent of the workforce are members.
- Faced with increasing fund deficits, BAE knew it needed to take action to ensure that the main scheme remained sustainable in the long term but wanted to ensure that its employees fully supported any changes.
- Using a small specialist communication team as a central source of information, the management was able to build key partnerships with the main stakeholders, and then guide all parties through an extensive consultation process to reach an outcome that was satisfactory to the organisation and employees.
- This case study is based on interviews with Stephen Windsor-Lewis, HR Director, Employee Involvement and Communications, and Nigel Tinsley, Pensions Director.

Although in its present form, BAE Systems has existed for less than a decade, it has a paternalistic attitude towards its employees. It believes that it is important to offer a good pension scheme, not only as a recruitment and retention tool, but as a key benefit for individuals, who may be involved in one project for the company for many years.

Following a valuation in 2002, BAE realised that its main pension scheme was unsustainable in its current form in the long term. The fund was in deficit as a result of falling markets and the increasing cost of pension provision. Action had to be taken and the company announced in April 2002 that it was reviewing all of its pension schemes in the UK and USA, starting with the main scheme.

In a strongly unionised environment, it became clear that all the key stakeholders had to be involved in the consultation process so that scheme changes could be introduced in a manner that would be supported by the company and employees alike.

The main steps towards a solution

An important factor in the success of the BAE consultation exercise was the support and commitment of senior management to the project from the outset. This was gained by holding presentations for executives, setting out the issues immediately before the wider communications to the whole workforce started. A specialist communication team was then appointed, including the pensions and communications directors. This core team was supported by a wider decision-making body that represented employees from all areas of the business.

Operational guidelines were established and the main objectives agreed. These were:

- to have open communication with employees
- to give employees sufficient information to allow them to decide on the way forward.

In view of the difficulties that can start to arise when no news is heard, the committee decided to give employees regular updates, even if there was nothing new to report.

All key stakeholders were involved in the pension review consultation. A pensions review consultation committee was established which included union and management representatives. Through offering employees an online questionnaire once all the issues had been explained to them, BAE also ensured that all its employees had an opportunity to be involved in the consultation process. Given the sensitivity of the subject, it was no surprise when nearly 5,000 people returned replies within 48 hours, showing just how important pensions are to the workforce. Once employees' views had been taken into account, it was possible to reach an agreed solution to the scheme's problems, with both employees and employers paying higher contributions to retain the final salary benefits for existing employees.

An integrated communication process

The company saw good pensions communication as integral to the consultation process. Watson Wyatt was appointed to assist with the project, firstly by translating complicated actuarial information into basic messages and by sharing good practice.

At the start of the consultation period in September 2002, a leaflet was sent to all employees' homes which went back to basic information, dealing with such questions as 'What is a pension?' and 'How are pension scheme contributions worked out?' Very straightforward language was used in this and all subsequent leaflets. At the same time as the first leaflet went out, a helpline was established and a 'frequently asked questions' section developed on the intranet.

Further leaflets were issued at regular intervals, setting out the pension scheme's problems clearly, addressing members' concerns and giving details of the options facing the trustees. The feedback from the questionnaire showed that employees would be prepared to pay more to keep the scheme. The message then focused on the effect of higher contribution on employees' pay and an intranet modeller was established so employees could test different scenarios. Six months after the consultation and communication process began, the trustees were able to agree a package of changes to the main scheme that would ensure its long-term viability.

The key purposes of the communication programme were to raise awareness of the scheme, educate the workforce about its benefits and ensure that employees understood that if they wanted to retain a good final salary scheme, they would have to pay more. The size, diversity and complexity of the workforce had to be taken into account when preparing information. The material was written by a core team and agreed by the steering committee. Clarity of language was more important than design, so printed communications followed existing BAE Systems corporate documents.

Achieving a successful outcome

Using a carefully thought-out communications strategy, BAE Systems has been able to convince its workforce that it's worth paying higher contributions to keep a good final salary scheme. No members have opted out of the scheme and only 250 chose the option of not increasing contributions and having reduced benefits. A similar number chose to increase their contributions by more than the minimum in order to receive enhanced pensions.

Stephen Windsor-Lewis believes that the key to the success of the programme was that it was undertaken slowly to take the emotional heat out of the subject. Employees were kept informed at every stage of the process and consulted about all major issues. The questions received by the telephone helpline showed that, as time progressed, employees moved from asking for clarification of information to wanting details of how the information provided affected them, showing that they had achieved much greater understanding of the scheme.

Part 2 Nationwide

Helping a young workforce understand and appreciate Defined Benefits

- The building society and retail finance organisation, Nationwide, has been established for over 150 years. It operates through an extensive branch network covering the UK, with its headquarters in Swindon, and an accounts centre in Northampton.
- Around 75 per cent of its workforce is female, many employed as retail customer advisers in the branches. A quarter of the staff work part-time and over 50 per cent are under 35.
- The organisation aims to deliver a first-class service to its customers. To this end, it considers itself an 'investor in people' and tends to take a paternalistic attitude towards its staff.
- The pension scheme has two DB sections – a traditional long-established Final Salary plan which was closed to new entrants from 1 January 2002, and a Career Average Revalued Earnings (Career Average) section for new employees from that date.
- With a young, mainly female workforce that is spread about the country, the pension communication programme aims to raise understanding and appreciation of the scheme while increasing take-up, which currently stands at about 93 per cent of eligible employees.
- Nationwide's David Cook, Pensions Technical Manager, and Jeanne Palmer, administrative assistant, were interviewed.

Defined Benefit structure is important

As the world's largest building society, Nationwide is a household name. In the competitive retail finance market it aims to provide a high level of service to its customers. The organisation has had a final salary pension scheme since the 1920s, believing that it is important to encourage employees to save for retirement. It also finds that a good pension scheme assists with the retention of staff. However, faced with rising costs, Nationwide wanted to move to a scheme design where its contributions could be better predicted.

The building society didn't take the DC route, believing strongly that the link between salary and benefits is important and not wanting to transfer the investment risk to staff. So it established a Career Average scheme, which provides a benefit of 1/54th of pensionable pay each year. This amount is then increased each year in line with retail prices up to a maximum of 5 per cent a year until retirement. Nationwide considers a structure like this to be particularly beneficial to a female workforce as it fits better with more flexible work patterns and career breaks.

Promoting the pension scheme

Although 93 per cent of eligible employees are already members of the scheme (which operates automatic enrolment), Nationwide would like to increase awareness and appreciation of its benefits and improve take-up rates. Its staff are young (over 50 per cent are under 35), mainly female, part-time and spread throughout the country, a difficult group to interest in pensions.

At present, the scheme still uses a lot of paper communications, including:

- booklets – the main explanatory booklet for the Career Average scheme is short and written in simple, clear language. Specific issues such as maternity leave, pensions and divorce are dealt with in separate leaflets. Much use is made of 'jargon busters' to clarify terms and flow charts
- combined benefit statements, which include details of state benefits
- an annual review, written in the style of an in-house magazine.

The pensions department has been producing combined benefit statements for three years, making use of the DWP's Combined Pension Forecast service, and after resolving initial teething problems, is finding that they provide the most potent message about the value of the Nationwide pension to individuals.

Where possible, the pensions team likes to run clinics and provide one-to-one information sessions. But with the workforce scattered all over the country, it's not possible for the pension staff to discuss the scheme with every new employee. So the pensions department has produced a short, witty video which is shown during the induction process and attempts to dispel myths about old age. The key message of the Nationwide pension communications programme is that the scheme provides a guaranteed level of benefits, much of which is paid for by the employer.

Final salary dilemma

When the Career Average scheme started, little information was provided to final salary members other than to reassure them that their section of the scheme was unchanged.

In 2003, a funding deficit was found to exist in respect of the final salary section. Nationwide agreed to make a £100 million one-off payment into the fund but wanted the employee contribution rate to increase by one per cent to help meet the cost of benefits. This was a difficult message to get across, particularly as the Career Average scheme contribution rate remained unchanged. The pensions department spent two months planning the announcement to members, working closely with the staff union. The notice to members stressed the positive message that Nationwide was making a large payment and explained how tax relief meant that individuals' contributions would not rise greatly. The staff union also had an article in its magazine to emphasise that the decision had been a joint one.

A cost-effective programme

Because Nationwide administers the pension scheme internally, and also has an in-house advertising agency, it is able to produce all its pensions material cost-effectively. All communications are written by members of the pensions department. The advertising agency then advises on design and ensures that corporate guidelines are followed. Everything produced in respect of the pension plan uses Nationwide branding. Images of young and old people side by side are used to suggest an intergenerational link. The scheme's recent annual review has taken this idea further by including case studies using members and pensioners who are related but from different generations. This stresses the message that pensions are for all age groups.

The high take-up of the pension scheme by groups that traditionally are not interested in pensions is evidence of the effectiveness of pension communication. Around a third of the scheme's 15,600 members are under 30. Staff are given an opportunity to return a card providing feedback when they receive the annual review. Where people do respond, they tend to be positive about the scheme. Questionnaires completed after pension clinics also indicate that employees think well of the scheme.

However, the pensions team is constantly looking at improving communications. In particular it is seeking effective ways of reaching staff in the branches by using the Internet. They also plan to upgrade the scheme's present intranet site and add a pension modeller. Benefit statements will be transmitted to employees electronically from 2005. Non-members will be sent mock benefit statements so that they can see on an individual basis what they are losing by not joining the scheme.

David Cook stresses that pension communication must be a continual process if appreciation of the scheme is to be maintained. He also believes that the personal touch is important and that pensions staff must be prepared to explain everything.

For further information about Nationwide's approach to pension communications, please contact:

David Cook

Pensions Technical Manager

Tel: 01793 657993

Email: david.cook@nationwide.co.uk

Part 3 Honeywell

Communicating the introduction of a new Defined Contribution plan

- Honeywell is a diversified technology and manufacturing company with its headquarters in the United States. It has been established in the UK for over 60 years. Annual turnover in the UK is £700 million.
- Most of its 6,000 UK employees are employed full-time in manufacturing and are based in over 50 locations throughout the country. Although its main UK office is in Bracknell, a number of sites report directly to overseas offices.
- In order to provide a contemporary pension plan at a competitive cost, it was decided to close the existing DB scheme to new employees and establish a DC plan. Members of an existing DC plan were given the opportunity to switch to the new scheme. The DB plan still has some 1,900 active members and the two DC plans have approximately 1,600 members. The new plan has automatic enrolment and only a small number of employees have opted out. Other employees are members of a Group Personal Pension Plan and various closed DB schemes that came with business acquisitions.
- The communications programme had to cover three distinct groups of employees each with different information needs: members of the DB plan who were unaffected by the change, members of the old DC plan who were given the option of changing to the new plan, and new starters.
- Jean-Pierre Noël, Director, Compensation and Benefits, and Linda Oxberry, Director of Pensions,

The need for change

Honeywell believes it is important to offer a pension scheme for several reasons – in particular to attract and retain talented staff, and to maintain a competitive position in the marketplace. The organisation has a long-established DB scheme in the UK. Following a merger with another company, it inherited a complicated DC scheme with a DB underpin.

The main reasons for reviewing the current pension arrangements included providing a modern, unified pension scheme with a competitive structure for cost, recruitment and retention while ensuring a positive employee relations impact.

Accordingly, Honeywell decided to close the DB scheme to new employees and offer a new DC plan from 1 January 2003. It also introduced an attractive share purchase plan at the same time. The pension and share plan are a package of benefits that are intended to provide a competitive income replacement level, maximise choice and create shared responsibility.

The communication challenge

Honeywell has a very small, dedicated in-house benefits team. Hewitt Bacon & Woodrow were appointed to help plan the communication strategy and administer the new scheme. The programme had to take account of three different groups:

- existing members of the DB plan – as they were unlikely to be interested in the new scheme, their communications were kept low key and amounted to brief details of the new scheme and reassurance about the continuance of their benefits
- new employees – this group has no knowledge of the old plans and are given information about the share and DC plans before joining the company. Once employed, they automatically join the pension plan unless they opt out
- members of the existing DC plan – this group of around 1,900 people had to decide whether to transfer to the new plan or not.

The design of the existing DC scheme was complex and workers' decisions depended on a number of factors, especially age. Most of the communication effort focused on this group as they needed enough information to make the right choice for their circumstances. Messages were kept simple and repeated as often as necessary.

Although Linda Oxberry and her team have extensive communication experience, the scale of the exercise required input from the administrator who helped write and design material. Honeywell wanted something that was straightforward and clear. All printed material relating to the share and DC plans makes use of a design incorporating brightly coloured ticks. There is also much use of white space, which creates a fresh, uncluttered image. The ticks and the wording of all leaflets stress that members have ownership of their own benefit decisions.

A continual process

The initial communication programme was rolled out over a four-month period:

- A letter was sent to everyone about the new plan.
- Posters were put up in workplaces signalling the introduction of the share plan and, if appropriate, the new DC plan.
- Employee seminars about the share plan were used to introduce and give brief details of the DC plan.

- Information packs were sent to employees who were affected by the introduction of the new DC plan.
- Further workshops took place to help those people who were entitled to switch to the new DC plan understand their options.
- Spreadsheets were made available to this group so benefit comparisons could be made.
- Hewitt opened a helpline for DC members.

Because of the nature of DC schemes, the communication process has to be ongoing. At the same time, the information needs of the DB members have to be met.

The key message to members of both arrangements is that the company provides an excellent package of benefits. A secondary message for all members is to consider the sufficiency of the amounts they are saving and the opportunities for additional saving through additional voluntary contributions (AVCs). While DB members are sent statements annually, DC members receive them every six months. The recent drop in fund values has caused anxiety to some DC members and Honeywell intends to address that by holding further seminars to raise financial awareness so that employees feel more comfortable about the fund information they receive and the investment choices they have.

Information about the DB scheme is available on the company's intranet and there is a proposal to provide Internet access before the end of the year. A new site for the DC plan will be announced shortly to members. It will contain a modeller so that employees can do their own pension planning.

Building confidence for the future

The planning and preparation of the communication programme for the introduction of the new DC plan and some final details of the design took about six months. The budget for this stage of the process was significant and didn't take into account the pension department's time. Linda Oxberry believes that the money was well spent as the look and feel of the package has been well received. Although there is no formal feedback process, the pensions department monitored members' decisions at different points to check whether they had understood their choices.

One issue during the exercise was for local management to organise the work so that manufacturing operatives and service engineers could attend seminars. Because some sites report direct to overseas offices, the pensions team had to gain the support of HR management at each locality for the project. The presentation was kept simple and direct so that local HR staff who might not have an in-depth knowledge of pension matters could take employees through it if necessary. Presentations were also supported by a schedule of questions and answers that could be distributed as required.

The key message that Linda Oxberry would give to anyone going through the same process is, 'ensure that communication is an integral part of the pension plan and persevere with the communication effort – you will never be doing too much.'

For further information about Honeywell's approach to pension communications, please contact:

Jean-Pierre Noël

Director, Compensation and Benefits

Tel: 01344 656000

Email: jeanpierre.noel@honeywell.com

Part 4 GAP

Selling a stakeholder scheme to employees

- GAP established its retail operation in the UK in 1987. Its annual turnover in this country is approximately £500 million.
- Its European headquarters, including its main warehouse, are based in Rugby. In addition, there are 150 retail outlets located throughout the UK.
- A large percentage of GAP's 6,500 employees work part-time and three-quarters of them are female. A total of 1,000 staff, including store managers, are classed as management and 300 people are employed in the warehouse.
- The HR function is responsible for the company's stakeholder pension scheme, which is provided by Friends Provident. Hargreaves Lansdown advises the company on all aspects of the scheme.
- The introduction of the new communication programme was timed to coincide with a change in pension provider in September 2003.
- The main aims of the new style of pensions information were to relaunch the scheme and to simplify communications.
- The new scheme is a standard stakeholder product. Once some categories of staff eg sales and warehouse staff have been employed for 12 months, the company will match their contributions up to 5 per cent of pay. For other categories, the company matches from entry into the scheme.
- Since the relaunch of the scheme, take-up rates throughout the company have trebled.
- Sue Hayes, UK Compensation and Benefits Manager, was interviewed for this case study.

Background

GAP had a long-established Group Personal Pension (GPP) arrangement for management employees and introduced a stakeholder scheme for other staff in 2001 as a result of legislative requirements. Finding that staff either did not know about these arrangements or if they were aware of their existence, did not understand them, the company decided to consolidate the two schemes. This was timed to coincide with a change in the company's pension provider.

To stimulate greater interest in the new scheme, GAP asked pension and financial consultants Hargreaves Lansdown to help come up with an innovative approach to communication that would appeal to its young image-conscious staff.

A new approach to pension communication

The package of material that Sue Hayes and her team, together with Hargreaves Lansdown, have put together is designed to ensure that employees make the right decision regarding pensions, rather than to put any pressure on them to join. The emphasis is on making financial decisions, rather than saving for old age.

The new communication programme was rolled out in stages, starting about a month before the introduction of the new scheme in September 2003. It now consists of several elements:

- Posters are displayed at all sites. Initially these did not include the word 'pension', although the word now appears on current designs. They are changed frequently to maintain staff interest.
- A short leaflet and personalised example is sent to each employee's home address. This may be followed up by a phone call from Hargreaves Lansdown to the employee at home.
- Group presentations were made to store managers, head office and warehouse staff before the scheme started. Approximately 800 staff attended 60 such talks.
- After the presentations, employees were given the opportunity to have individual counselling from financial advisers.
- A new website has been launched, which includes a simple-to-use financial modeller.
- A 24-hour helpline, run by the scheme's advisers, is available to employees who want more information.

All materials are very strongly branded with the GAP image and keep descriptions to a minimum.

Producing the materials

Previous experience had given GAP a very clear idea of the kind of pension communications that didn't work. It asked its advisers to develop a completely different approach from that normally used for pensions. The planning and implementation process started in May 2003, four months before the introduction of the new scheme.

Hargreaves Lansdown, who are responsible for managing the project, produced the initial drafts. Sue Hayes and her team then amended the material to reflect the tone of other communications produced by the HR department. A lot of time was spent on the design of the materials to ensure that it fitted in with the GAP brand. Posters, leaflets and application forms all reflect the image that GAP uses to promote its clothes. Words have been reduced to a minimum so, for example, the application form takes up only half of an A4 page.

Communicating the new scheme has gone reasonably smoothly. The biggest problem probably involved trying to persuade staff to attend the meetings, particularly in August because of holiday commitments. Another problem that was discovered later arose because employees can join without completing an

application from. Some denied that they had intended to join the scheme and had to be withdrawn. Procedures have had to be developed to prevent such confusion from arising in the future.

The success of the programme

From whichever way it is viewed, GAP believes that the new pension communication programme has been a tremendous success. The aim of the campaign was to educate employees about pensions and financial matters and the company deliberately set no targets for membership to increase following the roll-out of the programme.

However, the message has reached employees. Since the relaunch of the scheme, take-up rates have risen from 22 per cent to 85 per cent for store managers, from 42 per cent to 81 per cent for head office staff, and from 11 per cent to 48 per cent for warehouse staff. There has even been a ten-fold increase in the number of shop staff who have joined.

Feedback was sought from employees on the new pension plan using questionnaires and focus groups drawn from a cross-section of staff. This too has been positive.

The programme has been cost-effective for GAP as the costs have been absorbed in the stakeholder management charges, so effectively it has cost the company nothing.

The Compensation and Benefits Department also found that the new arrangement forced it to look at the way it was working and has resulted in it operating streamlined administration procedures.

Sue Hayes believes that the biggest single contributing factor to the success of GAP's pension communication programme has been the strong element of design that runs through all materials and reflects the company's image.

Going forward

GAP doesn't view the pensions campaign as a one-off exercise. Pensions have now been incorporated into the induction process, and spot checks are made to ensure that employees are seeing materials. Posters are changed regularly to maintain interest and further presentations are to be held when there are sufficient numbers of new staff. In line with its fashion-conscious image, the company has made a commitment to reviewing the design of all materials every two years to ensure they don't become dated.

Benefit statements have yet to be issued for the new scheme, but they too will be branded. Eventually, the company intends to produce total benefit statements, which will include feedback forms so that it can

continue to monitor staff views on the scheme. It is also intending to include a pensions hyperlink on its intranet system.

Sue Hayes advises any company that is thinking of introducing a new communications programme to 'link up with good consultants who understand the company's needs and dare to be different.'

For further information about GAP's approach to pension communications, please contact:

Sue Hayes

UK Compensation and Benefits Manager

Tel: 020 7518 6435

Email: sue_hayes@gap.com

Part 5 Aon

Communicating to employees online about pensions

- Aon has been operating in the UK insurance broking and employee benefits market for many years. With an annual turnover of £1 billion, it has grown through the acquisition of, and mergers with, several long-established firms.
- Around 80 per cent of its 9,000 employees are clerical staff, employed in its head office in London and around 30 other locations in the UK. The remaining employees are managerial and professional.
- The main Aon UK Pension Scheme was formed in 1999 and has a DB section, with about 750 active members and which is now closed to new employees, and a DC section that has over 5,000 members. Aon also has a further six closed (DB) schemes.
- As the organisation views itself as a major service provider, giving excellent customer service is a key company objective. To achieve that aim, Aon wants to be an employer of choice, and the pension scheme is part of a package of benefits that aims to attract the best staff.
- Aon pension trustees wanted their own scheme to be at the forefront in using new technology for communication, as well as raising the standard of information provided to employees.
- Steve Carlisle, chairman of Aon UK trustees and an executive director of Aon Consulting, and Clive Seager, Pensions Manager, were interviewed for this case study.

Moving communications into the twenty-first century

In order to maintain its market position, Aon aims to be an employer of choice, and as part of its compensation and benefits package offers a competitive pension scheme. Its main UK pension scheme is split into two sections; a DB part that is closed to new entrants and a DC section for new employees. The total value of the fund is £250 million. A trustee board, with eight members, three of whom are member-elected, is responsible for the scheme. The trustees are keen to inform staff as much as possible about their pension. They took the decision to develop a website for the scheme in order to raise the level of information provided. In addition, as one of the larger firms of benefit consultants in the UK, Aon wanted to set an example by using innovative means of communication.

Once the project had been approved by the sponsoring employer, its management and implementation was left to the trustees, who further delegated the task to its communication subcommittee. Aon Live Wire is the group's specialist communication company and therefore was the obvious choice to assist the trustees in their task.

Live Wire designed the site and the subcommittee met regularly to comment on the contents and design. The trustees wanted a creative design that would link the scheme to Aon while ensuring that it had a distinctive brand. The website and all booklets and other printed material now use images that suggest an active, outdoor lifestyle. The key message of the material is to stress the importance to employees of the benefits provided by the scheme.

From approval to implementation in July 2002, the project took about seven months. There were no major problems as Live Wire already had experience of designing similar sites for large corporate clients. In addition, the scheme is administered by another Aon company, so there was a smooth transfer of information. Volunteers were used to test the site and their comments were taken into account. The site was tested extensively to ensure that problems were picked up before the site went live.

Aon paid the market rate for such a project, which is around £60,000, but are convinced that is worth the money spent. Clive Seager, Pensions Manager, believes that once a scheme reaches a certain size, it's important to spend money on good communication to maximise the impact of the benefit and ensure members appreciate what the scheme offers them.

Key components of the website

The Aon website can be viewed at www.aonukpensionscheme.co.uk. It has separate sections for DB and DC members. The information common to both sections on the site include:

- details of all the scheme benefits
- a range of printable forms
- a news section
- frequently asked questions
- a direct email contact with the administrator.

In January 2003 the site was extended for DC members so that they can access regularly updated personal information. On enrolling for this service, members are given a password which means they can view their own contribution and investment records. In addition, they have access to a modeller on which they can test different contribution and retirement scenarios. Steve Carlisle, chairman of the trustees, and Clive Seager agree that the sophisticated but simple-to-use modeller makes it the most important section of the site. Because the modeller downloads its information direct from the administrator when a member logs on, in order to obtain an estimate of the pension payable under different scenarios all the member has to do is move the cursor to a contribution rate and a retirement age. An estimate of their pension then immediately appears on the screen.

The challenge for the future

Aon's trustees are extremely pleased with the website. It has proved to be easy to use and very reliable, and feedback from staff has been positive. Ultimately, they hope to place all pension communications on the web and to move away from using printed material. However, before that stage is reached, it's important that staff become more at ease using the site. Although most employees have access to a computer and in spite of extensive and continual publicity, only about a quarter of members have accessed the site so far. One idea that has been mooted is that in future, when new employees join, instead of being given a full explanatory booklet, they will be given only a short leaflet about the pension scheme together with details of how to access the website. This will encourage staff to access the site from day one, so that it becomes a normal source of information for them which they are comfortable using. If this is successful, benefit statements and other written communications may also be placed on the web in future.

Clive Seager believes that schemes should spend as much as they can afford on good pension communications to publicise their benefits to employees. For larger schemes, the web is an ideal solution. However, Steve Carlisle points out that when setting up a site, it is important to allow enough time to ensure that it can be tested thoroughly so that any problems are ironed out before the site goes live. This, he thinks, is one of the key reasons why the Aon site has operated smoothly since its inception.

Part 6 Eli Lilly

Using 'flex' to communicate pension choices to staff

- US pharmaceutical manufacturer Eli Lilly established its UK operation in 1936. Its annual UK turnover is around £1 billion.
- The UK headquarters are in Basingstoke, with manufacturing sites at Basingstoke and Speke and a research and development site at Windlesham.
- Eli Lilly employs 2,400 employees – around 90 per cent are full-time, split roughly 50:50 male and female. There are 450 staff employed within sales, with 600 operators/technicians, 400 research scientists and 1,000 support staff, including finance, marketing and IT.
- HR is responsible for the company's non-contributory final-salary pension scheme (known as the Pension Plan). Towers Perrin is the actuary, Mercers are the administrators while Ernst & Young are the auditors.
- Virtually all staff have opted to join the Pension Plan. The fund is valued at £350 million and has 2,500 active, 1,900 retired and 1,700 deferred members. The scheme is based on 1/60th accrual, though staff can increase their rate through a points system that rewards long service, allowing staff to retire earlier with no actuarial reduction.
- The company recently carried out a review of its benefits package, including pensions. The result was the launch in July 2004 of Lillyflex, its new flexible benefits package, which incorporates a new voluntary contribution salary-sacrifice pension scheme.
- Julie Osman, Director of Pensions and Benefits, was interviewed for this case study.

Background

Like many pharmaceutical companies, Eli Lilly is faced by a number of cost and revenue pressures. But despite these, the company is committed to providing a generous occupational pension scheme to staff. It does so because it is committed to the welfare of its employees, even in retirement. Also, because it believes that it makes business sense.

To be successful, the organisation has to supply quality products and produce them in a flexible manner. This requires high-calibre and adaptable staff, who will come, stay and be engaged by being offered a quality pension as part of a wider 'total rewards' approach.

Because it sees pensions as a differentiator in the market place, Eli Lilly is prepared to offer a non-contributory final-salary pension scheme (the Pension Plan) and bear the annuity and investment risks.

As it is required to do, the firm offers an AVC scheme. In the past, it has proved relatively popular, with over two-fifths of staff in the scheme. However, in the past decade, the numbers contributing have fallen to around a third.

The company was concerned that it was not getting its pension message across to staff. The key elements of this were to emphasise that the organisation offered a very generous pension scheme, but they also wanted staff to recognise the importance of making adequate provision for retirement through AVCs to top up the pension plan – especially for late starters or those considering a career break.

These concerns coincided with a staff consultation exercise to see how they regarded the current benefits package, and how it was communicated and provided.

What the consultation exercise found

In late 2003, Eli Lilly held a series of focus groups on pensions and benefits. To ensure that the results were as representative as possible, focus groups were held at all sites, structured by grade and occupation.

The results showed that staff did appreciate the Pension Plan, even sales staff who traditionally had been more interested in bonuses and company cars. However, they also revealed that staff were unsure about the AVC scheme. While staff wanted flexibility and choice, they found the information about the fund options (nine in total) too complex and confusing, inhibiting them from making informed decisions. They wanted the communication and the message to be clearer and simpler.

Overall, the focus groups showed staff wanted flexibility and choice, and better information.

To meet the desire for flexibility and choice, Eli Lilly has brought in a flexible benefits package on a cost-neutral basis. Under this arrangement, known as Lillyflex, staff can select those benefits that best meet their needs.

The most significant aspect of the new scheme is the introduction of new AVC salary-sacrifice arrangements called special employer contributions (or SpECs) which take advantage of national insurance (NI) contribution savings. The company uses part of its NI savings to boost SpECs by an additional 5 per cent of the employee's contribution and the rest of the savings to fund the operation of Lillyflex.

Better information

The company had to explain what the two pension schemes were and how they operated so staff who were already saving could decide whether to switch, or if they were not already saving, which scheme best met their individual circumstances.

For instance, if you are a lower-rate taxpayer, SpECs are more advantageous than the AVC scheme. However, unlike SpECs, with the AVC scheme you can start, stop or vary payments at any time (including making occasional lump-sum payments).

In addition, it wanted to communicate to staff that the total reward package is very competitive in the market, that a final-salary pension scheme is a key element of this and there were no plans to change it, and that Lillyflex will allow staff to choose benefits that may be appropriate to them and their lifestyle.

To explain the changes, the firm invested a lot of time and effort in communications. It ensured that the way it communicated reflected the organisation's core values of people, integrity and excellence and its brand image. A variety of media were used to get the message across, including:

- traditional print-based – eg used newsletters, booklet and leaflets. These were colourful and written in plain English.
- presentations – 50 presentations were held for staff across the sites.
- new technology – including text messages and CD-ROMs for the sales staff. Because the field force meets infrequently and it is not feasible for HR to visit every office, it produced a CD-ROM to communicate the scheme. Also, because this group wasn't always accessible by email, HR sent text messages to them about the scheme via their company mobiles.

The organisation also sees the unions as playing an important role in raising awareness among staff. The firm communicated with the union reps so that they understood the schemes and could either deal with member queries or know where they should be directed.

Some of the employees who had been involved in the focus groups were also contacted before the launch of the communication exercise and were asked to comment on the proposed literature and website. Not only did the feedback help improve the communications, it built up support among those involved who became champions for the changes.

As a result of its communications, the numbers making either additional contributions or paying into SpECs increased from 806 to 1,005, while the amounts paid in went from £160,000 per month to £202,000 (£100,000 through SpECs). The company believes one of the reasons why SpECs has not been more popular

is that when Lillyflex first started, the choices lasted for 18 months, which may have been put some people off. However, in the future, choices will last for 12 months.

Ongoing and future communications

Eli Lilly doesn't regard its pension communication as a one-off exercise but as an ongoing dialogue about the whole rewarding experience that it offers. By that it means the combination of competitive financial rewards (such as salary, pensions, share schemes) and the non-financial (such as career breaks, flexible working arrangements, and carers' leave).

It wants to encourage financial awareness, participation and security through the benefits it offers via Lillyflex, such as SpECs, life assurance or personal accident insurance, as well as those outside, such as the Pension Plan, AVCs and its share schemes. It regards the way it communicates and provides information as being key in allowing its workers to make appropriate savings decisions.

To communicate to employees about its total rewards in general and pensions in particular, it has developed an HR-branded quarterly newsletter. The new HR brand, 'Because people matter', supports the external Lilly brand and will be used increasingly by personnel in the way it communicates to staff.

A pensions website is also being developed to allow staff to view such aspects as plan booklets and forms, FAQs and AVC statements. In the future, it will allow staff to make online changes to AVC and SpECS investments and it intends to include a pension modeller so staff can easily test various scenarios.

The company sees the Internet and the modeller as reducing the cost of communicating effectively with staff, as they won't have to hold as many clinics or spend as much on pension quotes. It's also exploring the possibility of producing online total reward statements.

To reduce the complexity and boost the numbers of people making additional pension contributions, the number of AVC and SpECs fund options is being cut from nine to six and a 'life path' option is being offered. This will allow staff who don't have the time, or the inclination, to select between the various funds to select an option that makes investment decisions for them, based on how near they are to retirement.

In the future, the organisation will carry out a staff survey to assess how they value their pensions and whether they think they have enough information to make decisions that meet their individual circumstances.

The company believes that Lillyflex and the way it now communicates will bring about an increase in financial awareness among staff and an appreciation not only of the company's benefits but also of the information and choices provided that allow them to make decisions that meet their circumstances.

For further information about Eli Lilly's approach to pension communications, please contact:

Zara Loughrey

HR Adviser

Tel: 01256 775064

Email: loughrey_zara_a@lilly.com

Part 7 Acme Whistles

How a small employer communicates to staff about its pension arrangements

- J Hudson and Company (Whistles) Ltd, better known by its brand name 'Acme Whistles', is a small manufacturing business based in Birmingham. It was established in the UK in 1870 and is the world's leading manufacturer of whistles for sporting, military, industry and leisure use.
- Like many small/medium-sized enterprises, Acme Whistles' challenge is to recruit and retain staff. A declining skills base in the area is a concern, although the company has low staff turnover. It has a workforce of 60, with an even mix of race and gender. It has no temporary or contract staff. Nine of the 60 employees are management level, the rest are mainly semi-skilled or unskilled. Only two employees are skilled. The workforce is more mature because of the experience levels demanded.
- Acme Whistles used to have a contributory final salary scheme, but this was wound up and replaced by a money-purchase plan in 1992. Benefits are paid up with Prudential. This action was taken because the cost of the final salary scheme was unpredictable, and there were fears it would reach around 44 per cent of payroll, a cost which could not be supported.
- The money purchase scheme was closed in 1998 and funds transferred to the current Group Personal Pension arrangement with Scottish Equitable. This was because the company considered the burden of trusteeship was too great for its size. The company pays 7 per cent into this arrangement and employees pay 3 per cent of pay. Of the 60 employees, 42 are members of this scheme.
- This case study examines the way Acme Whistles deals with everyday communication of pension matters rather than looking at it as a special exercise.
- Simon Topman, Managing Director, was interviewed for this case study.

Acme Whistles describes its business philosophy as half way between the social commitment of a not-for-profit organisation and the full commercial objective of a larger company. It works and thrives on the attitude that looking after your people serves the business well. Its employment policies are therefore designed to treat employees as they would treat themselves.

At one time, the company advertised for employees and considered pensions important enough to feature in job adverts. Nowadays, it has a waiting list of people willing to fill any job vacancy. It believes it has achieved this by becoming an interesting, fun and reasonable place to work.

Few employers in the area provide an occupational pension scheme. This gives Acme Whistles a recruitment edge, but it believes that a pension scheme is not a deciding factor in an employee joining or leaving the company. Take-home pay is more important and a higher pay offer from the factory next door would be a problem. Nevertheless, Acme Whistles believes in providing an occupational pension and will continue to encourage membership at an individual level at the recruitment and induction stages and throughout employment.

Communication

Acme Whistles faces the challenge that the more they 'promote' pensions, the more employees may suspect that there is something in it for management. But employees do tend to ask the company for advice on pensions and other financial matters. It will always try to give information and let employees conclude that joining the pension scheme is in their best interest, but realises that care must be taken not to give financial advice. This is one of its bug bears – it believes that regulation has frightened companies away from talking to employees about pensions for fear of falling foul of the Financial Services Act.

In 1992, at the time of closing the final salary scheme and switching to money purchase, employees were given information, but not consulted about it. Reactions were mixed. There were fears that having to communicate that the company couldn't afford the pension scheme would undermine employee confidence in the business. Fortunately, this did not happen. Acme Whistles thinks it a shame it had to move away from a trust-based to a contract-based scheme, but is comfortable with the decision on the grounds of cost and the burden of trusteeship.

The take-up rate has remained stable since the change to the Group Personal Pension scheme, so Acme Whistles believes that the design of the scheme is less important than the message behind it. Unsurprisingly, it finds that the over-50s are more interested in pensions than their younger counterparts.

With the Group Personal Pension, the main pension communication is directly between the employee and Scottish Equitable, although employees still link the scheme with the company.

The company tends not to communicate in writing about pensions. There are no notices, no campaigns, again because some of the workforce might suspect an ulterior motive.

Instead, it talks to staff directly. If, at induction, employees aren't interested in joining the pension scheme, the company will ask them why. Employees don't drop out of the scheme once they decide to join.

The company encourages employees to join the scheme by likening membership of the pension scheme to missing out on pay. If employees still don't join, the company follows up individually after four months. The company recognises there are opinion-formers in various departments. It sees it as important to get these employees on side on pensions. This is not achieved by telling them about the scheme, but by creating a good feeling about it, which they then share with their colleagues. If an employee hasn't signed up to the scheme in six months, then they are unlikely to do so.

If an employee refuses to join the scheme in what seems a half-hearted way, the company will get them a quote from Scottish Equitable. The company finds that having its name on the quote gives employees some confidence in the arrangement. Only one employee has asked what will happen to the scheme if the company should go out of business.

The company knows its employees well and this it believes is the key to its success. It knows its employees do not read the financial press and have little interest in financial matters. But some have become involved in equity-release schemes through adverts in the newspaper. This is worrying to Acme Whistles and it now offers free independent financial services to employees.

Acme has also set up a pension seminar for employees through its accountant, Bentley Jamieson. The offer of free lunch and champagne probably helped to encourage staff to attend. Two previous non-joiners signed up following this seminar. This was 10 per cent of the non-joiners, so a good result.

Social involvement is encouraged in the company and 40 staff are actively involved in the company's local theatre initiative. They build a strong local presence through this and school visits, and punch well above their weight in terms of publicity. Acme observes that the employees who don't join the pension scheme are the same ones who don't participate in the company theatre club, parties or other social outings.

Many of those who don't join the company scheme have made some private arrangement. Sadly, in the company's view, these are usually the least well-informed staff. The company feels it has missed something and has failed to understand what these employees feel about pensions. Some employees have chosen other ways to provide for their retirement, for example, through buying a property.

At the company year-end, Simon Topman, Managing Director, goes around the building to talk to each employee and brings up the subject of pensions and retirement.

Acme Whistles would advise other small employers that pension provision is important. It's part of the mix of things an employer can do with and for employees. It would encourage other small/medium-sized companies to be less fearful of regulation and use common sense. And it's vital to be sincere in your communications with employees. Build a good set of benefits to encourage people to join and to stay with you and give their best while they do.

Acme believes that offering a pension scheme says something about the employer and Acme is making

For further information on Acme Whistles' approach, please contact:

Simon Topman

Managing Director

J Hudson and Company (Whistles) Ltd

244 Barr St

Birmingham B19 3AH

Tel: 0121 554 2124

a contribution to employee future welfare. It believes it could do more to encourage people to join, but considers that having two-thirds of a quite low-paid workforce in the pension scheme is a very good result.

Part 8 Royal Bank of Scotland

How a large employer communicates pension information

- The Royal Bank of Scotland was established in the UK in 1727, is based in Edinburgh and has 125,000 employees, of which 95,000 are based in the UK.
- The workforce consists of full-time, part-time and contract staff. Approximately 60 per cent of employees are female. Clerical grades account for 60 per cent of employees.
- The main business of the bank is retail and corporate banking, but it also covers wealth management, insurance and other financial services.
- Pre-tax profits last year were around £6.2 billion.
- The main aims of the bank are to provide good value for shareholders, staff and customers.
- There are two main schemes in the UK, one being non-contributory final salary to which 80,000 of the bank's UK employees belong. The other is a money-purchase scheme for the bank's insurance business.
- Membership of the UK DB scheme is, 78,000 active, 85,000 deferred and 48,000 pensioners.
- Peter Hurcombe, Head of Group Pensions, was interviewed for this case study.

The UK DB scheme

Take-up of the Royal Bank of Scotland final-salary scheme is virtually 100 per cent, with only a few employees opting out in favour of personal pensions. The scheme is non-contributory to staff. It is not viewed as a complex scheme, although it has had different sections throughout its history; some of the constituent funds were set up as long ago as the 1920s. The age profile for members is relatively young, averaging in the mid-30s.

The trustee board is made up of equal numbers of group-appointed and member-elected representatives. The trustees have a range of advisers including Hewitt Bacon & Woodrow as actuary and Watson Wyatt as investment consultant. Administration is performed in-house. Management decisions are supported by a policy group formed of full-time professional staff. In designing communications, the bank uses external consultants for particular projects but there is considerable in-house involvement. The policy team doesn't have a separate budget for communications, but includes planned communications as part of its overall expenses budget for the year.

Communications

The key challenge for the bank is how to get individual information to employees and scheme members. It's not realistic to speak to all employees individually; therefore the bank believes that technology must play a key role. The bank's aim is to make it possible for employees to answer many of their own pensions questions.

The bank doesn't go in for frills and gloss in its pension communications, although it does consider that the appearance is important to attract the attention of employees. In a recent redesign of the total rewards statement (TRS), for example, making the document attractive and easy to read was regarded as being critical.

Pensions information is included in an annual TRS, issued to all employees. According to staff feedback, the TRS is seen as very good. As the TRS covers all employee benefits, it doesn't go into huge detail on the pension. It covers the entitlements as it must, but also quotes the value of one year's membership of the fund and the capital value of the expected retirement pension. The bank recently conducted a staff opinion survey, which produced a positive response on pensions. Including the value of benefits on statements raised the appreciation of the pension scheme, even among lower-paid and younger employees.

Combined pension forecasts

In 2003, the bank introduced a prototype combined pension forecast. It expanded its annual benefit statement to include a rough estimate of the member's state pension and illustrated this with a pie chart including scheme benefits and AVCs. In most cases it showed a small proportion of benefits coming from the state. The bank is considering the introduction of full combined pension forecasts in 2005.

The fund offers AVC facilities and the ability to make extra contributions through its flexible benefits programme. Take-up has been relatively low which the bank attributes at least partly to the generous level of benefits in the fund and the presence of other savings options such as ShareSave.

The bank produces an explanatory booklet and a magazine to all fund members. Active members also have access to information on the bank's intranet. The pension scheme booklet is compliant but not viewed as a good 'selling' publication. It is available online, but this largely repeats the paper version. The bank believes it should promote the benefits of the pension scheme more than it presently does, not to increase membership, but to increase staff awareness and appreciation. To this end, it sees 2006 – when pension simplification comes in – as an opportunity to re-examine its pension communications generally.

Pensions are viewed as important in the recruitment of quality staff. The bank therefore has plans to place greater emphasis on pensions in the recruitment material targeted at prospective employees. Pensions don't appear to be a priority for 16–20-year-old recruits, but for those in mid-career, the bank has anecdotal evidence that the final salary scheme is important to them.

Online statements

The bank also plans to improve the administration systems and will introduce online benefit statements. It also has plans for an online AVC modeller in about a year, subject to the required technology being available. The overall aim is to reduce the administration burden and the cost of communicating with such a large workforce, but also to increase employees' awareness of pensions.

Intranet development will be important for the future. But not all staff have easy access to the intranet and dialling into the bank systems isn't practical – especially for those who've left.

The bank has a pensioner website and also produces an annual newsletter for pensioners – expanding the website for all pensions communications is a logical next step, but unlikely to replace paper communications entirely.

The bank's communications are bright and straightforward. For communication of the organisation's flex plan, employees are segmented into different groups so that communication is better targeted. This is also done on the TRS to some extent, where an AVC message is targeted only at older members.

The bank has considered incorporating the pension fund into the flex plan in a fuller way, for example, by allowing employees to opt out of the pension fund for a short time and receive higher earnings, but it hasn't so far done so.

Lessons learned

In communicating with a large workforce, the bank's advice to other organisations is to keep things simple and make sure information is available when required.

For further information on the Royal Bank of Scotland's approach to communications, please contact:

Peter Hurcombe

Head of Group Pensions

The Royal Bank of Scotland Group

42 St Andrew Square

Edinburgh EH2 2YE

Tel: 0131 525 0497

Part 9 Emap

Selling benefits to a young mobile workforce

- Emap is one of the largest media companies in the UK specialising in print and radio, with a £1.1 billion turnover. About two-thirds of its 4,000 employees are divided between its offices in Peterborough and London. The remaining employees are spread throughout the country, mostly at local radio stations in the north of England.
- The company has a young workforce, with 67 per cent of its employees under 35. In common with other media organisations, staff turnover is relatively high and is currently around 25 per cent.
- The pension scheme provides benefits on a DC basis, with the company matching employees' contributions on a scale dependent on the amount they pay and their length of service. It is part of an integrated benefits programme, which includes a share plan and a flexible benefits arrangement.
- Emap aims to be innovative and informative and this is reflected in its approach to pension communication. With a media-conscious workforce, it takes bold measures to raise awareness of its benefit plans and to encourage employee participation.

Raising awareness of benefit plans

Emap believes that it is an employer's responsibility to provide a comprehensive benefits programme for its staff. In its own case, this includes share plans, a flexible benefits arrangement and a DC scheme, known as the 'Flexiplan pension'. To prove its commitment to the pension plan, it recently increased the rate of contribution it matches for employees with longer service.

In common with a lot of other media companies, Emap has a relatively high staff turnover rate. It also has a young workforce (the average age is about 31) that is very aware of current developments in communications. So benefits communication has to be innovative and imaginative. Much of the material aims either to encourage staff to join the benefit plans, or to improve their benefits by contributing more.

The benefit programmes are administered by an external organisation. However, Emap believes that it's important for the plan's credibility that employees can talk to other employees when they have questions. Therefore it has a small, dedicated helpline team within the benefits department who deal with queries on all aspects of the different benefit plans, including pensions.

Recently, to try and personalise communication further, Emap has started sending all benefits information to home addresses. Although initially there were some teething problems when it was found that not all staff had kept their address details up to date, this has proved to be beneficial as it enables employees to discuss the options with their families.

The importance of a bold approach

The rate of staff turnover means that the benefits department is having to reach a new audience on a regular basis. Messages are repeated throughout the year to draw employees' attention to the importance of benefits. The department is responsible for planning and managing the communication programme. Strategy is determined 12 months in advance with the aid of its advisers, Aon Live Wire. Material is written in-house and Live Wire assists with design and production.

Benefits are branded in the same way as Emap's other products, although recently they've started moving towards a more corporate image. Leaflets are glossy and colourful and messages are kept short. Images of gymnasts are used to emphasise the flexible nature of the benefits. Photographs are of young people to stress the message that pensions are not just for the old.

Communication is viewed as a two-stage process:

- 1 Raise employees' awareness by giving them brief details about the benefit plans and the advantages they hold for individuals, and including contact details.
- 2 Provide as much further information as employees request, and ensure that this back-up information is always available.

All literature has the helpline number prominently displayed.

The key features of the communications programme are:

- brief leaflets describing the different components of Flexiplan, with a short, detachable application form
- roadshows held twice a year at which employees can book individual appointments with members of the benefits team
- the dedicated in-house benefits helpline
- intranet and Internet sites
- combined benefit statements
- a benefits desk calendar.

The desk calendar is a new innovation for 2004 which has been well received by staff. It is very glossy and contains a number of short messages about the benefits programme on the reverse. The helpline number and email address are prominently displayed on the calendar side so that they are always in front of staff.

Combined benefit statements, which contain estimates of individual's state and plan benefits, have also proved to be an effective measure to raise awareness of the value of the Flexiplan. Emap was one of the first organisations to take up this idea and they've had no problems obtaining the necessary information from the DWP. The company uses them to meet its two main objectives:

- Where employees are already members of the pension plan, a change of contributions form is included with the statement to encourage them to increase their contributions.
- If staff are not members of the plan, the relevant page is left blank to emphasise what they are losing out on by not joining. An application form is included with the statements for this group.

This year, Emap is planning to incorporate the pension and share-scheme information into a TRS to emphasise that all benefits are part of a total package.

Maintaining a successful communications programme

Stewart Grant believes that Emap's approach to benefit communication has been very successful. In spite of recent downturns in the stock market, around 59 per cent of eligible employees have joined the Flexiplan pension and this percentage is steadily increasing. The average employee contribution has increased by one per cent in the last year.

Reaction to initiatives such as the benefits calendar and combined benefit statements has been positive.

However, in order to obtain more systematic feedback about employees' perceptions of benefits, Emap is introducing online snapshot surveys that will target small groups of employees and question them about different aspects of the company, including benefits and the benefits team. This survey technique may be expanded to check staff understanding of pensions, particularly the investment options. At present, many people rely on the default option under the Flexiplan pension. The benefits department wants to determine whether this is a deliberate decision or due to lack of knowledge. They want to ensure that plan members make positive, informed decisions about their investments.

Because Emap is a media company, Stewart Grant believes it's important to use many different styles and methods of communication to maintain a successful programme. He wants benefits material to stand out against other Emap products by being bold and innovative. As well as constantly improving the printed material used, Emap is intending to introduce online pension modellers and enrolment.

In addition, the key to a successful communications programme, according to Stewart Grant is to, 'always have more information available if members want it and a committed benefits team who are members of the plans and believe strongly in what the company is providing.'

For further information on Emap's approach to communications, please contact:

Stewart Grant

Group Benefits Manager

Tel: 01733 284263

Email: stewart.grant@emap.com

Part 10 How to communicate about pensions

This part of the Guide draws on some of the key elements from the case studies, summarising some of the main influences that employers need to consider when communicating their pension arrangements.

As an aid to employers about to embark on a communications exercise, we have included some practical tools as annexes. Annex A outlines the issues for employers to consider when developing the pensions message for their staff. Annex B is a general checklist for those embarking on a communications exercise about pensions.

The approach/process

Before starting any communication exercise it's important to plan and prepare. You need to establish the objectives and what you expect the communication exercise to achieve. You also need to know when and how you will measure its success. GAP started planning its communication programme four months before it introduced its new staff pension arrangements.

The approaches adopted depend largely on the culture of the organisation. The first approach is a marketing, 'tell and sell' approach. This would usually entail creating and disseminating materials to employees, encouraging them to take up a benefit or accept a change.

The second is a collaborative approach, working with employee focus groups or panels to inform how the organisation can best communicate about the existing scheme. Alternatively, it can mean involving employees and their representatives when amending the existing scheme. This is a bold move and involves seeking input about the change and how it will be handled in advance of introducing the change, requiring facilitation skills to work well.

This latter collaborative approach is more likely to engender positive employee attitudes and earlier acceptance of changes and has been adopted by case study companies such as BAE Systems and Eli Lilly.

All the companies we have profiled in the Guide emphasised the importance of senior management buy-in to the change and to the communication process, and seeking this should be part of the initial plan.

The audience

No two people are alike. Employees differ in age, literacy and numeracy levels, learning styles and attitudes. They may be new or long-serving members of the scheme. They may be located in different parts of the country or world. It's important to be able to reach and explain to a variety of different audiences, and using a range

of styles and materials increases the likelihood of success. You need to be prepared to explain everything. Honeywell uses multiple media and follow-up monitoring to ensure that the message gets across and that all employees understand the choices open to them. Eli Lilly uses text messages to communicate with its salesforce.

The communications channels

Many companies rely on booklets to explain their pension scheme. This is because it is 'traditional' and therefore expected. A booklet also takes the place of scheme rules and therefore has a semi-legal status. However, it takes two or three attempts to get the attention of employees, let alone their agreement, so a booklet alone will not achieve the understanding needed for staff to appreciate the scheme. Furthermore, many employees find booklets and other explanatory literature a turn-off, so to ensure employees read them at least once, they need to be eye-catching and interesting. GAP uses its expertise in retail marketing to produce exciting and strong images on booklets, leaflets and posters. Emap advises employers to be 'bold, imaginative and take risks with communications'.

Letters and statements provide an opportunity to personalise the message. The more focused on the individual and how they will be affected, the greater the interest and understanding. All organisations support the use of statements to help employees understand the scheme benefits.

Presentations are more direct and personal than booklets and leaflets and are used by most of our case study companies as a way to reach a large number of employees at the same time. Presentations are more costly and time-consuming when employees are in multiple locations, but most companies make an effort to reach all employees with a roadshow. Some companies like Nationwide use a short video for new staff inductions. A telephone helpline can be of great help in answering employees' questions during a change process, but requires good technology and operators.

Many large companies identify mailing letters to home addresses as a major cost of communications and see online solutions improving the speed of communications and reducing the cost. Larger organisations like the Royal Bank of Scotland, BAE Systems, Eli Lilly and Honeywell make greater use of technology, spreading the message through the company intranet or via the web. All see an increasing use of technology in the future, from online modellers which give employees the tools to work out the personal impact of a change, to benefit statements on demand. The greatest challenge for an online solution is encouraging people to access it. People will use technology if it is well publicised, simple to access and works first time. Technology therefore needs to be thoroughly tested before release to employees.

For smaller organisations, like Acme Whistles, using expensive technology is less of an option, but their size makes it easier to talk to employees face to face in an open and sincere way.

Reviewing the effectiveness of communications

It's important to ensure that communications have the expected effect and the best way to do this is to ask employees for feedback. This can be done through direct questioning or questionnaires online or simply observing what employees actually do. It may be that the objective was to increase membership of the scheme by a percentage. This is relatively easy to measure.

A change in understanding is more difficult to gauge, but could be assessed by asking employees before the communication and again afterwards and noting improvements. Eli Lilly does this via staff surveys and focus groups. Or you can use less direct measures like reduced expenditure on recruitment or improved profitability at the end of the year. Feedback and review are essential to proving the value of the communications and justifying the money spent on it. Seeking feedback is also a good way to show employees you care about their views and decisions.

Helping employees to help themselves

Our case studies have shown that it's important to allow staff to take time off from work to attend seminars, read the literature, and make informed choices. It's no good going to a great deal of trouble with communications if employees don't have the time to read, listen or watch. For instance, in a call centre or factory it may be difficult to fit communication in with working hours. So employers should consider offering a quick session for those interested before or after work, or rescheduling the workload so that people can be briefed during working time. This may mean paying for people to cover shifts so staff can attend sessions, read literature or complete forms.

In the case of office-based staff, it's often assumed that they have 'time sovereignty', so can fit understanding pension scheme around their work schedule. In those instances, some people will concentrate on the job in hand and probably file (or throw away) communications on pensions and therefore not receive the benefit of the materials. It's therefore vital that employers allow for this behaviour through stressing and demonstrating the importance of the benefit and their support for it, actively encouraging staff to attend, and following up afterwards to check understanding. The business gain from employees' appreciation of the benefit is worth the extra effort to ensure they get the message.

Conclusion: Good practice in pension communication

There have been a couple of major themes running through this Guide. The key point is that to achieve the full value for your company of operating a pension scheme, you need to communicate with staff about what you're doing. There is no single 'right' way to do this – employees learn differently and employers should include as many ways of getting their message across as is practical. Messages should be kept simple and straightforward, but being bold in the way a message is delivered can be highly effective.

The companies profiled here are some of those already doing very good work in this area, and the hope is that the approaches they have used will generate ideas in others, encouraging more companies to appreciate the importance of good pensions communication. You can't copy a communications approach wholly from another organisation – it needs to be tailored to your scheme, your workforce and your situation. However, the CIPD and The Employer Task Force on Pensions hope that these examples provide some ideas that you may be able to adapt for your own workplace.

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Annex A Key elements of the pensions message

This list provides a summary of the things to think about when developing messages about pensions for your staff. Messages should be:

- **brief.** Long-winded messages, including every detail, are a great comfort for the legally minded, but employees only want to know what they need to know. Too much information can be a distraction. Details can be made available separately.
- **in plain English.** To be effective and understood, the message must be simple, straightforward and contain no jargon. To make it attractive, focus on the packaging.
- **bold.** 'Dare to be different' is the advice from GAP. The use of bold images, colour, high-end graphics and innovative designs grab attention and can create a talking point among employees. Humorous messages are effective, reduce or remove feelings of fear and can make the message memorable. Nationwide uses a short, witty video to get the pensions message across to new recruits.
- **personalised.** Employees are interested in matters affecting them personally, so the more a company can target the information individually, the more buy-in it will achieve. Benefit statements and modellers achieve this, as do letters sent to an individual's home address, where the family can also be involved in understanding the message. The Royal Bank of Scotland found the introduction of a prototype pension forecast incorporating state pensions increased the appreciation of its occupational scheme.
- **open and honest.** Don't wait for good news to obscure any bad news you have to give. People respond better to being told the truth, even if it is unsavoury. If good news is delivered alongside bad, the impact of the good may be reduced and may be missed altogether. Most of our case studies emphasise the importance of openness and honesty and consider that more positive results come from being sincere. Some companies shy away from talking to staff about financial matters for fear of breaching regulations. Acme Whistles advises employers not to fear regulation – it's important to get the message across about the value of occupational pensions.
- **timely.** The information about the pension scheme must come at the right time. If it's a change, especially a potentially negative one, and information is delayed, then rumours, invariably worse than reality, will circulate. It will take considerable effort to dispel those rumours before you can get your own message across. It's always tempting to wait until every 'i' is dotted and every 't' crossed, but communication is an area where speed is often preferable to total completeness. In addition, our case studies show that getting the initial message out early is important, but that delivering the whole message slowly, in a measured and staged way, takes out the emotion in a difficult change, as it gives staff time to absorb the information.
- **championed.** If someone known and respected believes in the scheme or the change, others will too. Celebrity endorsements can work, but just as effective is someone from the company, trusted and known to have staff interests at heart. For this reason, many organisations, such as Nationwide, recognise the influence of trades unions and staff representatives and include them in the communications process.

Such champions should have suitable training so that they understand how the scheme works and why it's important that people should be saving for retirement.

- **branded.** Most organisations believe in reflecting the corporate brand in the pensions communication materials, but some, like Aon, create a look and feel linked to the brand, yet distinctive enough to avoid confusing the audience.
- **promoting the benefits, not the features.** You want employees to buy the pensions 'deal' and people tend to buy what they perceive they need. The message about pensions ought to clearly explain the benefits of membership to the employee, rather than just the design details of the scheme.
- **focused on financial awareness.** For younger employees, the idea of saving for old age can be irrelevant and a big turn-off. If your message is about old age and pensions in the same sentence, then a large part of your audience could be lost to you. People often don't think about pensions seriously until later in life, yet starting to contribute earlier makes for a more secure retirement. Younger people don't want to know about retirement – they have more interesting things to do. Many of our case studies have a young workforce, so they have found that emphasising financial awareness and planning, of which pensions is an important part, scores more points than talking about old age. So much so, that companies like Nationwide and Emap deliberately portray young, active people in their pensions communications. GAP even decided not to include the word 'pension' in the early stages of its campaign.
- **varied yet consistent.** A message repeated in the same way becomes monotonous and may be filtered out. Something new and fresh will catch the eye and gain the attention of the employee. For example, Emap and GAP regularly update the pension message through new posters on the walls every few months, and they change their pension brochures every two years, to ensure they remain 'in fashion'. As well as changing the message to keep it fresh, delivering the same message in different ways, using multiple media will have the same beneficial effect. It is important that the sense of the message remains consistent, although the delivery can and should vary.
- **repeated.** People forget about 80 per cent of information immediately after they receive it. Repeating a message over and over, especially in a new fresh way, gives a better chance that more is retained and, importantly, used. Many of our case study organisations recognise this and use it to good effect. For example, Acme Whistles routinely talks to its employees about pensions and financial matters, bringing up the subject again and again. Honeywell advises that there is no such thing as too much communication and Emap repeats its message throughout the year, especially as it has a high turnover of staff. A simple device like repeating a helpline number on all written materials helps ensure that members are aware of this service.

Annex B Checklist for communication

To help employers communicate their pension arrangements most effectively, we've drawn up this good-practice checklist based on findings from our case studies.



1 Define issue to be addressed:

Definition

2 Describe desired outcome:

Description

3 Consider preferred approach or check existing communications strategy:

For example:

- o Engage employees/union in planning change.
- o Involve employees/union in communications design.
- o Inform employees/union of change.

4 Consider communications media:

For example:

- | | |
|-------------------------------|-------------------|
| o booklets/letters/statements | o video |
| o online (intranet/Internet) | o helpline |
| o presentations/roadshows | o online modeller |

5 Consider the message:

For example, make it:

<input type="checkbox"/> brief	<input type="checkbox"/> personalised
<input type="checkbox"/> plain English	<input type="checkbox"/> timely
<input type="checkbox"/> bold, impactful	<input type="checkbox"/> championed
<input type="checkbox"/> colourful	<input type="checkbox"/> branded
<input type="checkbox"/> open/honest	<input type="checkbox"/> focused on financial awareness

6 Prepare communications plan:

Include:

<input type="checkbox"/> timescale	<input type="checkbox"/> consultant/in-house
<input type="checkbox"/> actions	<input type="checkbox"/> cost and benefits analysis
<input type="checkbox"/> resources	<input type="checkbox"/> measurement/feedback

7 Secure management buy-in:

8 Select/appoint advisers (if any):

9 Draft communications material:

10 Test/pilot communications material (vital for technology-based material):

11 Roll out communications programme:

12 Obtain feedback from employees:

For example:

- o face to face
- o via questionnaires
- o through online assessment

13 Review and confirm results of programme:

- o Desired outcomes realised fully?
- o Desired outcomes realised partially?
- o Desired outcomes not realised?

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The Employer Task Force on Pensions was set up in 2003 by the Secretary of State for Work and Pensions to develop and promote the role of employers in pension provision and to encourage employees to save. A key role of the Task Force is to act as a catalyst in the development and circulation of good practice.

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