

# The Perils of Poor Communication



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# Perils of Poor communication

(It's the way you tell it.....)

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More confusion and more complaints result from poor communication than from almost any other single factor.





# Compliance with Pensions Act

- Most trustees and employers are generally compliant, though there are always some problems
- The most common failure is in disclosure of information
  - The requirements are straightforward (if potentially expensive)
  - Meeting them seems to be the problem!



# Disclosure of Information

- Merely to comply with the Disclosure Requirements does not represent high quality communication
- Quantity -v- Quality
- Regulation and supervision – small print
- Amount of information required is increasing (e.g., statements of reasonable projection, etc)
- This is over-regulation!



# Where do your communications originate?

- Because of the complexity of regulation, many communications start life in the Legal Department
- Legally correct but incomprehensible (boxes all ticked? – we're compliant)
  - Emphasis on protecting the trustee/administrator
  - The Consumer is not considered



# “The Value of Units can Fall as well as Rise”

- Straightforward message?
- In plain English?
- What useful information does it really convey?
  - If he doesn't even know clearly what he's invested in
  - What's wrong with saying “Do you know you can switch out of this investment”?



# The Baleful Influence of the Marketing Dept

- In the old days we had meaningless names for funds: Evergreen, AutoMetric SuperCapp.....
- Now it's more transparent:
  - Cautiously Managed (Medium volatility)
  - Diversified Beta
  - Advantage Balanced
  - Dynamic (High volatility)
  - Diversified (ditto)
  - Magnet Portfolio

**isn't it??**



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Anything that can go wrong...  
....already has



- **LEX  
MURPHIANA**

IN OPERATION

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# You told him what???

- “ Don’t worry, I’ll see you right.....”
- “Options on redundancy include early retirement...”
- “You can retire anytime from age 50 onwards” [consent?]
- “The benefits will increase during payment by 5% compound ....”



# You....what? continued

- “Of course you can always have a refund of contributions.....”
- “Transfer to a PRSA? No problem!”
- “This will be kept under regular review”
- “Yes, of course it’s guaranteed”



# Perils of Communication

- “You should keep this booklet in a safe place for future reference.....”
- That’s all they ever do
- The **Golden Rule** of Pension Communication:

Nobody **Ever** reads the small print

Except when they come to **Retirement Age**, when failures of earlier communication will come back to haunt trustees and finish up as complaints in my Office



# Who's Talking?

- The *perceived identity* [and authority] of the communicator will affect the message received
- Multiple “hats”
  - Which hat is most visible?
  - Quality of the message **received** changes with the hat, e.g.,
    - Chairman of the trustees
    - Member trustee
    - Managing director
    - HR director
    - HR director who is also a trustee
  - to name but a few



# Communicating Options

- Leaving Service (or communicating with PAO beneficiary)
  - Preserved benefit
  - Transfer to bond
  - Transfer to new scheme
  - Transfer to PRSA

Where does it say that fixed charges, financed by cashing units, may eat away at the preserved benefit? Lots of complaints about this one.



# The dangers of Cut-and-paste

- Dear Mr Kelly,
  - Your annual pension is €2876.28, increasing by 3% compound each year.
  - There is a spouse's pension payable of 67% of your own pension, also increasing at 3%.
  - Please note that when this annuity ceases on 25/8/07, you are also entitled to a spouse's annuity of €13,846.74
  - I trust this clarifies the situation [!]



# Just be a bit careful...

- Another investor had the dubious pleasure of being informed by an insurance company that he had died some weeks previously



- Risk benefits first charge against contribution – often unclear
  - Escalating cost of risk with advancing age – almost NEVER communicated
- “Target benefit” schemes – seldom properly explained, rarely hit targets anyway



# Good Communication isn't Hard

- Keep it simple
  - Short words, brief sentences
- You may need Latin in Court (sometimes)-  
not in pension scheme communications
- If it starts with “whereas”, dump it!
- Would my old mother understand this?