



Member Engagement & Communication on DC Investment Strategies

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Agenda

- Defined contribution: why engagement and communication matters
- Current Investment Strategies
- Introducing more member choice to Investment strategies
- Effective communication
- The younger workforce
- A typical suite of communications



Defined Contribution: why engagement & communication matters

- Defined contribution (DC) is complex
- Investment outcomes are less certain than defined benefit (DB)
- Stakeholders are being faced with critical decisions around funds, investment choices and member communication – issues that were not so prevalent in the DB world
- Investment risk is shifting to the individual member
- Responsibility for making investment decisions now falls directly to the employee
- The right information is needed at the right time, to support the important (but unfamiliar) decisions that members of DC plans face

Defined Contribution: why engagement & communication matters

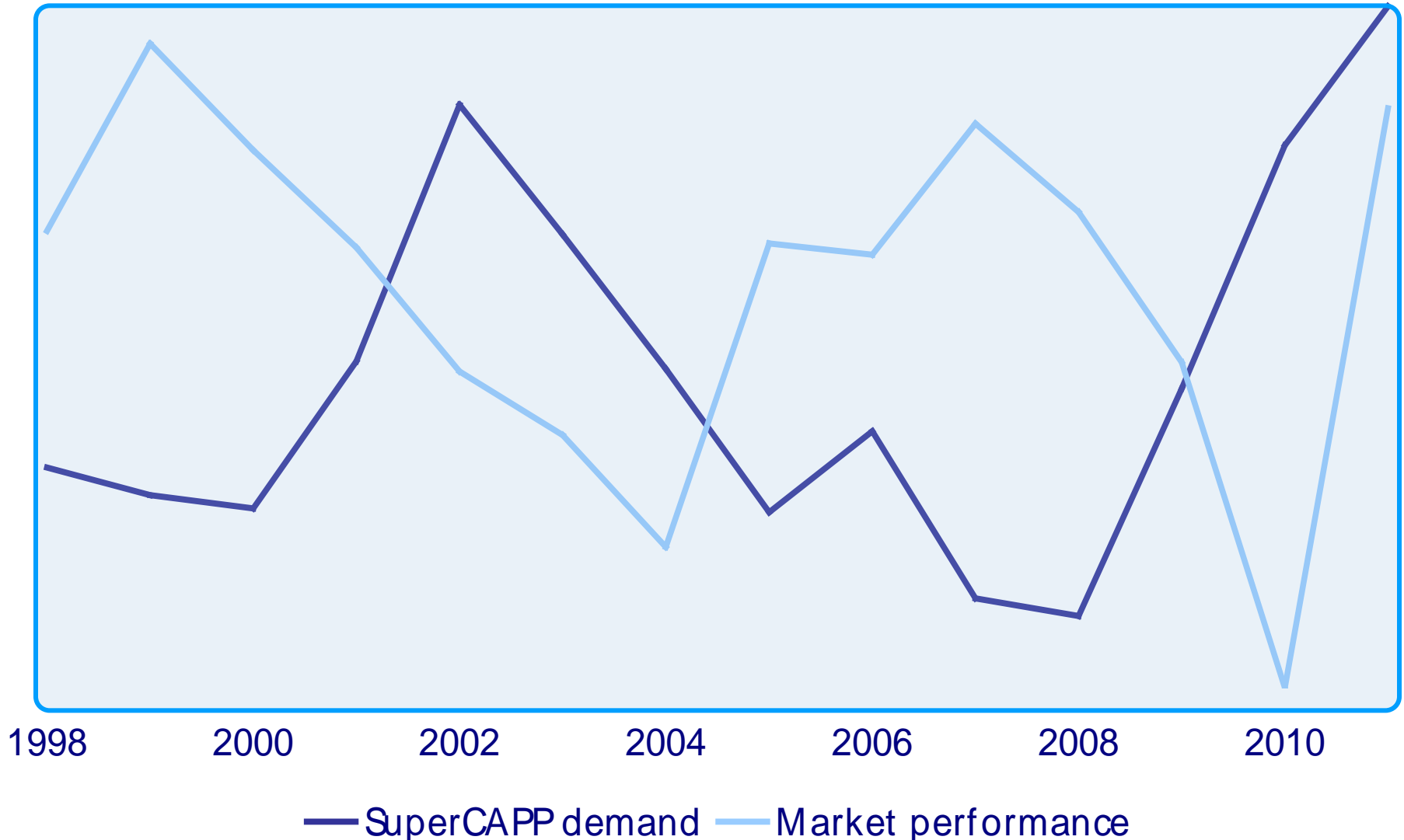
- Retirement provision is a major cost compared to other benefits, it's important for all stakeholders that the plan achieves its objectives
- Material to support the 'communications journey' is a key factor in achieving employee engagement and better investment decisions
- Employee engagement means all parties win
- Most importantly, it's vital we all build up adequate savings (contributions and investment growth) for a longer retirement, or face working beyond 'traditional' retirement age



Current Investment Strategies

- DC Investment Survey 2011 – Draft Results
- Default Strategies v Lifestyle arrangements
- Who decides construction ?

Typical Investment Strategy – Demand for secure investment



— SuperCAPP demand — Market performance

Lifestyle Investment Strategy – More flexibility

Accumulation Phase



100% of all pension contributions are invested in this fund(s)

Destination Fund



At Retirement 100% of all contributions are invested in the destination fund

De-Risking Period



100% of future contributions and monthly switching of growth phases funds to destination fund

Lifestyle Investment Strategy – More flexibility

Accumulation Phase Choose one or more of the following	Destination Fund Choose one of the following	Destination Fund Choose one of the following
<ul style="list-style-type: none">Index Global Equity FundIndex Eurozone Equity FundIndex Eurozone Gov Bond FundActive Balanced FundActive Performance FundActive Dynamic FundCautiously Managed FundDiversified Growth FundSecure Fund	<ul style="list-style-type: none">Active Fixed Income FundSecure FundIndex Eurozone Gov Bond Fund50 / 50 Retirement Options Fund75 / 25 Retirement Options Fund	<ul style="list-style-type: none">5 Years7 Years10 Years

The UK Pensions Regulator, 2011 consultation paper

- The introduction of auto-enrolment in 2012 to result in the number of people saving into DC plans rising dramatically
- As a result of the Government's workplace pension reforms, it is expected that five to eight million people in the UK will be newly saving or saving more, in all forms of workplace pension plan
- These people need greater confidence in pension saving

Why engagement is important on the six key elements

- The paper identifies six elements which it believes are important for achieving good outcomes for savers:

Elements for achieving good outcomes for savers	Why engagement is important
Appropriate decisions with regards pension contributions	Employees need to buy-in to the pension story and start saving early and for as long as possible
Appropriate investment decisions	Members need to be comfortable making this key investment decisions
Efficient and effective administration	Members need to remain engaged after joining
Protection of plan assets	Employees need their fears that the pension may not deliver to be allayed
Value for money	People need to overcome their natural cynicism against providers
Appropriate decisions on converting private pension savings into a retirement income	People need to be comfortable with one of the biggest investment decisions in their lifetime

How **communications** impact the six key elements

- The paper identifies six elements which it believes are important for achieving good outcomes for savers:

Elements for achieving good outcomes for savers	How communications impact each area
Appropriate decisions with regards pension contributions	Starter pack; savings benefits, company contribution, tax advantages, joining form and introduction to pensions for under 40s
Appropriate investment decisions	Introduction to investment choices, pension modellers to understand attitudes to risk
Efficient and effective administration	Log on details for online access, self service
Protection of plan assets	Information about the governance process - comfort
Value for money	Details of any plan and investment fees and understand the value for money
Appropriate decisions on converting private pension savings into a retirement income	Ongoing advice for all not just those nearing retirement

Effective communications benefits all stakeholders

- Members make better decisions and get full benefit from the plan
 - **HAPPY MEMBERS AND HAPPY PENSIONERS**
- Employers get a better return on cost which leads to positive member feedback, loyalty and ability to retire
 - **HAPPY EMPLOYERS**
- The providers (insurers, fund managers and consultants) also win through more contributions and funds under management
 - **HAPPY PROVIDERS WITH AN ABILITY TO INVEST MORE IN COMMUNICATION AND ENGAGEMENT**



The younger workforce and pension provision

- We know it's important to get younger people interested in pensions and enrolled in their company plan
- However there are some generational differences that plan owners and trustees need to consider:
 - Generation Y* use technology as part of their lifestyle
 - A high level of protection and nurturing from parents has resulted in high levels of optimism and an “I’ll be fine” approach
 - They are less trusting of “big society”, governments and institutions
 - If it’s not quick and easy to do, they tend to leave it to another day
 - Short-term thinking, including Investment decisions

***Generation Y** are all are born between 1980-2000, they are also referred to as Millennials. There are approximately 80 million worldwide.

Communication with your Generation Y workers

- Money is not the driving factor, it's all about lifestyle
- Need to be real, not aspirational
- Help them overcome their false optimism – a get real approach!
- Build their trust with open, honest communication
- Provide a summary of benefits rather than the 'compliance booklet'
- Use technology wisely, personalise and segment (contribution levels, dormant, active, engaged members,
- Counter short-term thinking by introducing three to five year investment targets, rather than retirement age which can feel a long time in the future



New technology adds to the mix

- In the digital world of email, SMS and social media communication is instant and there are a host of channels available to reach members regardless of their physical location
- Social media – an approach:

Campaign planning

- Who?
- What?
- Why?
- When?

Tool box

- A good dynamic website
- Access to hardware
- People
- Budget
- Time

Campaign planning

- Strategy
- Policy
- A blog
- Content resources

- **Define your objective well** - clear objectives will guide your messaging behaviour, your campaign activity and the content you share

Channel fact file

SMS



- High impact, personal communication
- Service based and timely information works well
- Non time sensitive communication are not a good fit for SMS
- Limitation on length of message and creativity

Social media



- Access to highly engaged member group
- Engagement defined by strength of the content – must pull consumer in
- Creative restriction
- Viral content is effective

Email



- Flexible content
- Fast and dynamic delivery
- Inbox competition requires high level of relevance and targeting
- Works for most message types

Summary

- Make the most of additional communications opportunities that DC plans provide to increase engagement for better investment outcomes
- Leads to a win-win for all stakeholders
- Plan campaigns carefully, segment employees using demographics and knowledge levels to tailor messages and inform media choice
- Use new technology wisely; communication objectives remain the same, but new technology increases the channels available to you
- Short, timely messages linked to lifestyle can help counter Generation Y's short-term thinking and attitudes to saving
- Good communication is key to successful employee engagement and better investment decisions



Thank You
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AUDIENCE Q&A



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Thank You

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