KEYS TO COMMUNICATING TARGET BENEFIT, SHARED-RISK AND MULTI-EMPLOYER PLANS

By Susan Deller

Editor's Note: This article was originally published in Benefits Canada, June 2014. It is reprinted here with permission.

Susan Deller is a principal with Eckler Ltd. and specializes in benefits communications consulting.

Target benefit, shared-risk and multi-employer plans all belong to the same *genus of pension plan*. While each has its own unique characteristics, they share the same basic principles. One of the main things these plans have in common is the ability to adjust benefits up or down under certain circumstances. Because of this, pension regulators agree that members need to be fully aware of the benefits and—more importantly—the risks of these plans.

That means sponsors of target benefit, shared-risk and multi-employer pension plans must ensure they spend time communicating with plan members. But that doesn't mean distributing the minutes of the last board meeting. And it doesn't mean posting the latest actuarial valuation on your website.

While pushing out a bunch of numbers and facts may give the plan sponsor a warm and fuzzy feeling that it's being fully transparent, it won't do much to enlighten the average member. At best, it will create the illusion that communication has happened. At worst, it will leave members with a false sense of security—and could, ultimately, do more harm than good.

Because of the unique design of these plans, the concept of enhanced disclosure—the notion that members have a right to know about the factors that can influence whether their target benefits are increased or decreased—has been enshrined in both existing and pending legislation in jurisdictions where these plans are on the table. But disclosure (even enhanced disclosure) and communication are two different things. You can meet the legal requirements of enhanced disclosure but still do a lousy job of communicating with plan members.

When members want and need to understand what's going on, simply presenting the facts isn't enough—especially if those facts are shrouded in the cryptic language of actuarial science. Take, for example, New Brunswick's shared-risk model, with its requirement to disclose the most recently calculated "open group funded ratio" and "termination value funded ratio." Reporting these numbers may satisfy the letter of the law, but if you don't spell out what they mean, what's the point?

Enhanced disclosure is valuable only to the extent to which the facts—and their implications—are explained to members, in ways the average non-pension expert can understand. This requires a high degree of collaboration between the plan's technical experts and its professional communicators. It also requires the discipline to do the following:

put information in plain, easy-to-read language;

focus on what's relevant to the member (and strip out what's not);

test and adapt your communications to meet member needs; and

personalize content, where practical, to make it targeted and meaningful.

Above all, it requires credibility. Members won't buy the message if they don't trust the source. Trust is the cornerstone of all three of these plans—and creating it should be a primary objective. Without trust, even the most brilliant communication is a wasted effort. ■

These are the views of the author and not necessarily that of Benefits Canada.