

**Report on the entries to
the PRAG Summary
Reports Award 2009**

PRAG

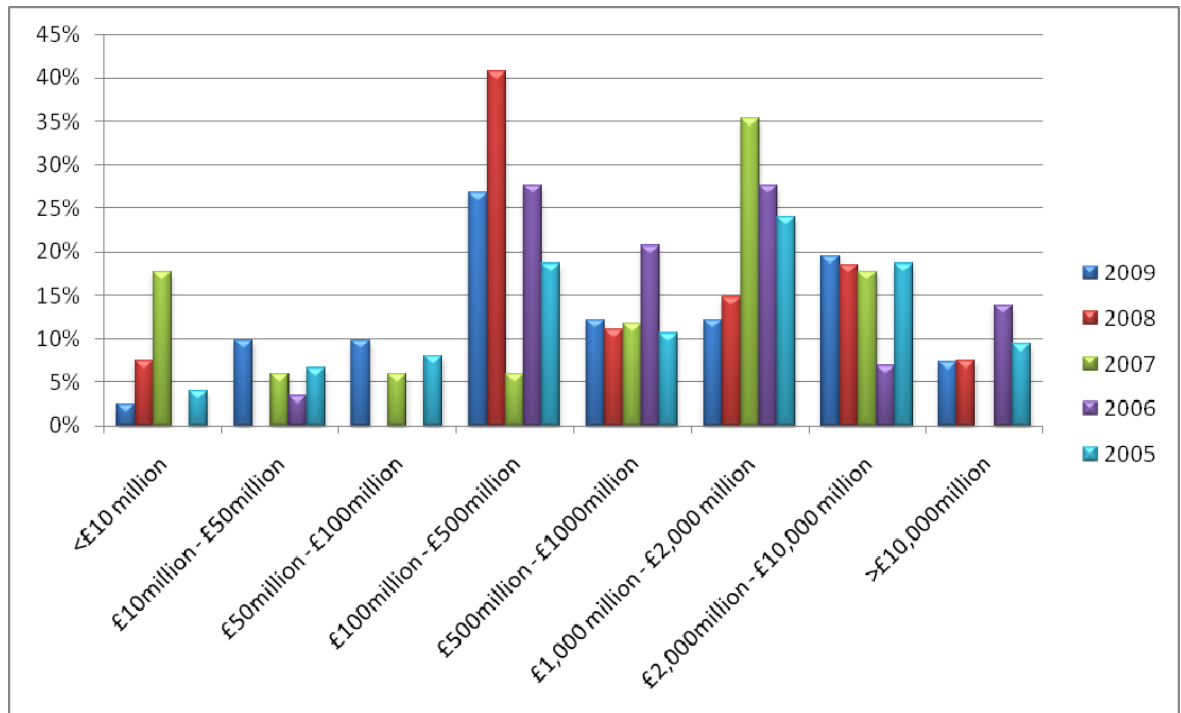
PENSIONS RESEARCH ACCOUNTANTS GROUP

1 Introduction

- 1.1 PRAG believes that it is now more important than ever to engage members of pension schemes with targeted and relevant information to resolve any concerns that they may have over their pensions.
- 1.2 High profile closures of pension schemes and on-going concerns over the economy mean that members of schemes may have worries over the security of their pension. For members of defined contribution arrangements there is also a potential time-bomb as they find that their pension on retirement is considerably below the level expected.
- 1.3 Many schemes produce popular or summary reports for their members which provide valuable information about the scheme and can address the worries of members.
- 1.4 PRAG recognises the importance of summary reports for trustee communication strategies and the production of summary reports is actively encouraged. The award is one method for promoting their benefits and for sharing best practice.
- 1.5 Guidance for the preparation of summary reports (“the Guidance”) is available on the PRAG website.
- 1.6 Since 2005 PRAG has invited schemes of all sizes to enter their summary reports for an annual award based on the Guidance. As well as rewarding good practice, the award gives the working party responsible for the Guidance access to reports that are not always available in the public domain.
- 1.7 This report provides an overview of the entries to the 2009 award, the judging criteria and an indication of current practices and the nature of information being disclosed. It also includes the judges’ general comments on the entries and details of the winning entries.

2 Overview of the entries

2.1 The number of entries received this year was 41. This compares to 29 last year and reflects the publicity in the pensions press, by the PMI and direct requests to communication consultants. The profile of the entries by asset value since the inception of the award is:



2.2 The majority of the entries over the last five years are from schemes with assets in the range of £100m to £2bn. Whilst it is disappointing that more smaller schemes do not enter their reports, the judges appreciate that there are likely to be less resources available for communications.

2.3 This year, there are five entries covering only DC benefits. These all have assets of less than £100m and the judges consider this to be a reflection of the relative immaturity of DC schemes. In addition, there are seven mixed benefit schemes which entered their reports.

2.4 The total membership of this year's entries is 1.75 million. The average active membership of the schemes that entered awards is 14,000.

2.5 As in previous years, there is a broad range of industry sectors of the sponsoring employers and it is noticeable that there are differing approaches to reporting depending on the sector. The Guidance recognises that the nature of the membership is a critical factor in the design of a summary report and this is again supported by this year's entries.

3 Judging criteria

3.1 The judging categories for 2009 were:

- Schemes with assets in excess of £1bn
- Schemes with assets below £1bn
- Schemes with DC benefits

3.2 The judging was based on assessing whether the report achieved the following criteria:

- Engagement – so that members read it
- Clarity – the information is understood
- Coverage – all relevant matters are included

3.2 The full guidance issued to judges is included in the appendix to this report.

3.3 The reports were judged by six members of the working party who reviewed all of the entries.

3.4 The members of the working party are pensions professionals representing relevant disciplines. These include accountancy, audit, legal, communication, trusteeship and individuals directly involved in the preparation of summary reports.

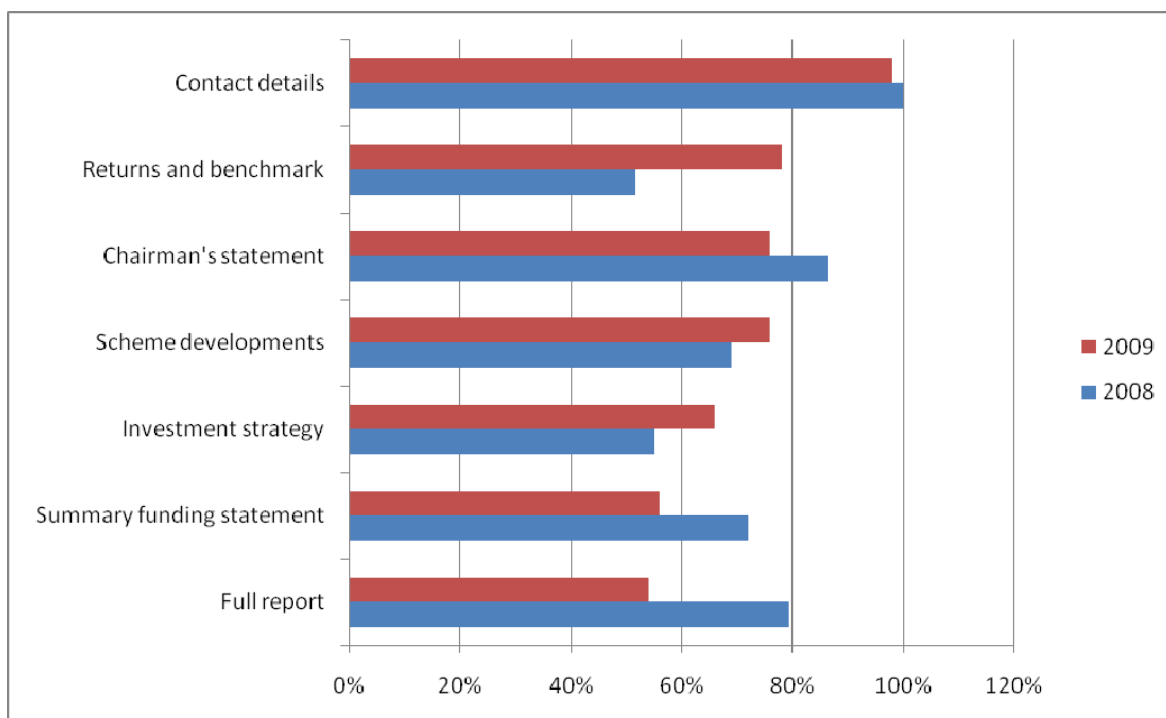
4 **Feedback from the judges**

- 4.1 The quality of this year's entries was high and all were good. The judges found it particularly hard this year to select the winners. As a result, there are "commended" reports as well as a winner for each category.
- 4.2 The judges were pleased that many reports gave reassuring messages to members about the current economic climate on the security of their pension. These range from a simple "Don't panic!" statement to a more detailed explanation of the steps that have been taken by the trustees.
- 4.3 It was also encouraging to see trustees seeking feedback on the summary reports and, in several instances it was apparent that changes had been made to meet more closely the members' needs. The summary report as a part of a broader communication strategy was also evident in several of the entries.
- 4.4 The use of web sites for communication is also apparent across the entries. The judges would, however, comment that the summary report is still predominantly a hardcopy document that is included on a website as a PDF document. The judges believe that there is an opportunity to be more creative and produce reports that are specifically designed for web publication, although this must be balanced against the need for accessibility by the members.
- 4.5 Amongst the entries there was some evidence of reports being focussed on specific groups amongst the membership. This includes, for example, section specific reporting and different reports for active and pensioner members. Web publication could see this trend develop.
- 4.6 However, although the provision of specific information to individual member groups is a good approach, the judges did feel that reports which tried to cover both a DB and a DC section in a single document were generally less successful. This is because the information needs of each group of members are different and there is a danger that the applicability of the content could be unclear.
- 4.7 Combined reports will also inevitably include some information not relevant to one group of the membership. This can make the summary report longer than necessary and this may reduce member engagement.
- 4.8 The final general area the judges considered was the pros and cons of "chatty" and more "formal" approaches to the reports. The judges concluded that "chatty styles" tend to be more engaging and easier to read, but as explained above, the approach must always be considered based on the nature and expectations of the membership.

5 Information included in summary reports

5.1 Other information included

Below is a chart showing the proportion of entries that included key items of information compared to 2008:



5.3 The overall view of the judges is that the summary reports entered for the award do contain relevant information and are informative to the readers.

5.3 Fewer schemes this year have included the Summary Funding Statement. This may be a timing issue, but it may also be a deliberate policy. As the judges commented on the 2007 award:

A single report including the summary funding statement can result in a more comprehensive document at a reduced cost. Trustees also felt that this provided an opportunity to provide context and background to the detailed information that is included in the summary funding statement.

Other trustees regard the purposes of the communication to be different and for separation to be appropriate. The opportunity seen in this approach was the reinforcement of key pension issues at different times.

5.4 The indication is that, in general, trustees are moving towards separate communication. In the current environment, more communication may be a positive, but this does, of course need to be balanced against cost.

- 5.5 Where the Summary Funding Statement is included in the summary report, the judges believe that it works better when the required information is presented using more creative and imaginative approaches than the examples given by the Pensions Regulator. Where possible, it should be consistent with the presentation of the rest of the summary report.
- 5.6 As in previous years, the judges found the inclusion of “jargon busters” and the avoidance of technical terms help member engagement and understanding.
- 5.7 The judges are, however, again disappointed this year that not all entries disclose the nature of the audit opinion that has been given on the full financial statements and the auditors’ statement about contributions.

6 The judges' decision on the awards

Schemes with assets over £1bn

Winner – Royal Mail Pension Plan

A short and comprehensive report that was easy to read. The corporate branding of the employer was very strong. The judges particularly liked the “Why should I read” introductions to sections. This was excellent signposting for the reader. Keeping the funding information to an informative overview worked well.

Commended – ABF Pension Scheme

DB and DC sections were split into separate reports. Both the reports were informative and easy to read. The use of the employer's product range for imagery was good. However, the judges concluded that, on occasion, the very dominant use of graphics resulted in messages being less clear. The reports were also relatively long, which could also be attributed to the extent of the use of graphics.

Commended – Marks and Spencer Final Salary Pension Scheme

The judges also scored this report very highly. There was a good approach to flagging key points for the members throughout the report and the sections on governance and responsible investment were particularly useful. However, the judges felt that the front page could be more inviting and the presentation of the summary funding statement could have made it more engaging.

Schemes with assets less than £1bn

Winner – Thames Water Pension Scheme

Although the report was lengthy at over 20 pages it was comprehensive with the information simply presented. The use of “manuscript” notes was particularly effective and the sections were clearly titled and short. There were also good sections on pre-retirement planning for both actives and deferreds and clear information on who to contact.

Commended – OTTO UK Pension Scheme

The judges found this report to be a strong contender with a refreshing style. However, this report covered several sections including a DC section. As a result, the judges concluded that the report did not have the same clarity as Thames Water and that some messages could be lost.

Defined contribution

Winner – National Australia Group Pension Scheme – “Total Communication”

The judges considered this to be a short report that provided clear guidance to members on DC risks. There was a focus on individual needs/responsibilities and reassuring messages about the long-term nature of pensions saving.

Commended – Bacardi-Martini UK Pension Scheme DC Section

The report provides clear information to members on the DC issues. There was strong employer branding and strong employer related themes through-out. The judges did find it difficult to make a decision in the category, but concluded that this report had less clarity than the winning report.

Commended - Severn Trent Pension Scheme (Pension Choices Section)

An easy to read report that had particularly good coverage of investment choices. All the other key aspects of DC risk were covered using a simpler format than the above entries although the employer branding was not as strong as the winner.

7 Conclusion

The judges would like to thank all trustees, pension managers and scheme sponsors that entered their summary reports to the award.

The quality of the entries in 2009 has been particularly high and the judges have found it difficult to identify the winning reports. The standard achieved has increased over the years that the award has been run and there is clear indication that schemes are seeking the views of members on the development of reporting styles and formats.

Looking forward to 2010, the judges will be interested to see how technology is being used for reporting and how smaller schemes communicate effectively with their membership.

Any comments on reporting to members are welcomed by the PRAG Summary Reports working party and these can be sent to the chairman:

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There will be further awards in 2010.

Please send your reports to the PRAG secretariat:

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PRAG Summary Reports Award

2009 judging

Approach to judging

The reports have been divided into three categories:

- Schemes with assets in excess of £1bn
- Schemes with assets below £1bn
- Schemes with DC benefits

For each category the judges should rank the reports.

The ranking should be based on the success of the report in achieving:

- Engagement – so that members read it
- Clarity – the information is understood
- Coverage – all relevant matters are included

Set out below are potential aspects of each criteria, but each judge should determine their own basis for ranking the entries.

Engagement

Is the report likely to be opened by members?

Once opened, will members read all of the report?

Is any other information included in the report likely to be of interest to the membership?

Does the use of pictures and graphics make the document attractive to the reader?

Clarity

Is the financial, funding and investment information presented so that members can easily understand it?

Are graphics used to help understanding? Do they achieve their objective?

Will members be clear on any choices they have or any actions required?

Is there a feeling of openness and transparency?

Coverage

Does the report cover all of the areas included in the guidance issued by PRAG in 2007?

The guidance refers to:

- Financial information with associated disclosure of the audit opinions and the availability of the full annual report
- Non-financial information, which in brief is:
 - Receipt of confirmations in accordance with the schedule;
 - Funding position and the recovery plan;
 - Issues relating to the employer covenant;
 - Investment strategy;
 - Disclosure of investment performance compared to benchmarks;
 - Executive summary or chairman's statement;
 - Update on important scheme specific developments;
 - General information that members should be aware of including changes in laws or regulations;
 - Brief explanation of the trustee role, the key elements of their governance arrangements and approach to risk management;
 - Scheme contact details;
 - Availability and role of The Pensions Advisory Service, the Pensions Ombudsman, the Pensions Regulator and the Pension Protection Fund;
 - Membership data;

The guidance also recognised specific requirements for DC members. These include providing information on individual investment funds and encouraging members to consider their overall retirement planning.