

# corporate briefing



## Managing pension change – some practical considerations

### Summary

**The key to success is clear: ongoing management of the employee consultation exercise.**

**Careful planning of the communication strategy is essential.**

**In our experience, if an employer's appetite to drive through change is strong enough, then change is likely to happen.**

In recent years many companies have reviewed the design of their pension schemes and there is plenty of evidence to suggest that further reviews are now taking place. Whatever the underlying reasons for amending the arrangements, the change process needs careful management if it is to be implemented successfully. This bulletin examines the key features of a successful process.

### Top tips

Even though each company's situation is to a large extent unique, there are a number of common factors that can help in making a change to pension arrangements successful. In many cases the most important single factor is the development of a strategy for each stage of the communication process, accompanied by a realistic timeframe. For example, it is common to see at least nine months for the full duration of the exercise, which is significantly longer than the 60 day legal minimum for employee consultation. Other 'tips' include:

#### Establish the framework

- Consider the objectives of each of the key stakeholders – they may well be diverse and conflicting.
- Involve specialist pension and employment lawyers at an early stage – in particular, clarify contractual obligations. It is not unusual to find senior staff with individual contracts which require case-by-case consideration.
- Determine what areas of the proposal – if any – will be negotiable. The answer could fundamentally affect the approach to consultation.

#### Set-up the team and plan the consultation

- Assemble a project team with a wide range of skills. It is valuable to include those who have insights into the views of the members.
- Develop the strategy for trade union involvement and employee engagement. Approaches vary widely, from engaging with the unions at an early stage to gain their general support, through to communicating directly with members, possibly with opposition from union representatives.
- Test the planned design on key stakeholders and get early feedback. This will help to anticipate and manage any potential concerns or issues.

#### Employee consultation

- Plan all aspects of interaction with employees – announcements, Q&A, press releases, manager briefings, personal illustrations, feedback and FAQs. The use of informal methods – for example, 'employee champions' – should not be overlooked.
- Don't pretend the changes are good news for everyone (unless that's the case!)





### Employee consultation (continued)

- Explain openly the business case. If employees understand the need for change they are more likely to accept it.
- Communicate frequently – over-communication is rarely a problem and silence, even where there may be little to say, is often interpreted negatively.

### Implementation of the change

- Continue to communicate. Although the consultation period may have ended, employee concerns can emerge and start to impact other areas of employee relations.

In our experience, if an employer has a strong enough appetite to drive through change (regardless of the potential impact on employee relations) then the change can, and probably will, happen.

### Communication is critical

As can be seen from the 'top tips', whatever the details of the changes to the pension scheme, clear and open communication with members is key. This should be embraced by the employer as an excellent opportunity for it to demonstrate to employees that it is fully engaged in the consultation process. Any lack of understanding

could undermine trust and reduce appreciation of valuable pension benefits. In practice this often leads to the (two-way) information flow continuing from the conclusion of the consultation exercise into the implementation stage. The implementation phase may also benefit from further employee presentations, especially if a defined contribution arrangement is introduced.

### How can we help?

We have a great deal of experience of managing pension scheme changes – covering the full spectrum from plan design through to employee consultation and implementation – and in recent months have worked with many companies to manage such projects. If you would like to find out more, please contact your normal Watson Wyatt consultant or

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