Complaint Handling - a Necessary Evil
Or, The Ongoing Effects of Murphy's Law.

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The Pensions Ombudsman
When a complaint is made….

- Do you….
  - Lend a sympathetic ear?
  - Attack the complainant?
  - Call in the PI Brigade?
  - Actually look for the facts?
  - Agree that he has a case?
  - Apologise?
  - Refer the complainant to IDR?
An apology?

- Remember that sometimes an apology is enough
- Complainants need to feel they are being listened to
- Failure of the scheme /administrator /trustee to reply will escalate the problem
- People who feel they are not taken seriously feel aggrieved
  - And complain to me
More confusion and more complaints result from poor communication than from almost any other single factor.
Perils of Poor communication

(It's the way you tell it.....)
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 is a problem!
Disclosure of Information

- Merely to adhere to 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)
  - Legally correct but incomprehensible (boxes all ticked? – we’re compliant)
  - What’s wrong with English?
Anything that can go wrong... already has.

LEX MURPHIANA IN OPERATION
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 ....”
“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”

“You’ll definitely get tax relief……”
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, so don’t rely on it
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.
19 November
Dear Mr Kelly,
I refer to your letter of 24th* instant. I am writing to advise you of your retirement options.
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. [*]

* First danger signal – we forgot to change the date
Design Flaws

- Sometimes it’s not the administration of the scheme at all, but problems arising from the basic design of the scheme.
- I can do nothing about bad design though there have been some ex-gratia offers to complainants.
Frequent complaints

- Integration and the way it is applied
  - When pay increase doesn’t exceed State Pension increases FPS goes down, but historic contributions on higher rates
  - Contributions based on basic, benefits on pensionable
- Final Pay
  - e.g., three-year average for computing benefits but contributions based on annual pay not averaged
- Contributing for more than 40 years
Some Pitfalls of design – DB examples

- Lack of flexibility – e.g., in death in service or retirement
  - can we divert to non-spouse or same-sex dependant? Not in the public sector – ever
  - Must they have been married before retirement?
  - Have we even thought about separation and divorce?

- Did the actuary assume people would commute benefits?
  - It may not happen now…

- Members contribute for more than 40 years
  - And complain bitterly
Some Pitfalls of design – DC examples

- Same contribution regardless of age at entry
- Employees may bear all expenses
  - regulation now very expensive
- Risk “First Charge” on contributions
  - Depletion of the fund
- Risk of inadequate benefits
  - Results won’t be known for years
- Risks of poor communication
Risk as a First Charge

- Schemes where risk is a first charge against small DC contributions can be a problem.
- Members NEVER understand (and are not told) that increasing risk premiums coupled with inflating salaries will wipe out the contribution in due course.
  - And then begin to eat up the accumulated fund.
- Can anyone remember an example of this being explained?
Target benefit - the risks

- How was the target communicated?
  - Is member still in DB mode?
- Continue the same contribution rate?
  - Won’t buy the same benefit, but member thinks it will
- Review or not review?
Some Pitfalls of design – Target Benefit

- Is it clear that the scheme is not a DB scheme (any more)?)
- Is it clear that we have changed from DB to “target” – and that “target” means DC?
  - What are expectations now?
  - Do they understand what DC means?
  - Are we clear about reviewing contributions?
  - (Have we kept that promise?)
- In other words, how well have we communicated?
Complaints!

- All of these things result in complaints
- How they are handled initially will dictate where and how they finish up
- It’s important that the complainant feels s/he is being taken seriously
- Failure to reply is disastrous
- You *really are* better off not hearing it from me......