Disclosure vs. communication: More than just semantics

Susan Deller | October 22, 2012

Disclosure—it’s a word that’s popping up with increasing frequency in the pension world. In fact, it’s hard to turn around these days without tripping over the term. Part of the reason is the growing amount of ink allocated to disclosure requirements in both pension legislation and industry guidelines.

Here are some examples.

- Ontario’s Pension Benefits Act and its accompanying regulations spend the better part of 14 pages setting out disclosure requirements.
- The Guidelines for Capital Accumulation Plans devote two sections to disclosure.
- Provincial and federal funding relief measures contain strict disclosure requirements.
- Recently released guidelines for shared risk plans in New Brunswick include detailed disclosure requirements.

For many organizations, complying with transparency requirements means holding their nose and having their actuary prepare the briefest-possible member communications. The rationale for this approach is as varied as it is flawed.

- I’ve met the letter of the law so there’s no need to do more.
- The plan is under financial pressure so why spend money on communications.
- A little information is a dangerous thing, so why provide any more than we have to?
- Trying to explain complex concepts to members is a waste of time.

The result is often cryptic, official-looking documents loaded down with legalese. Documents that are more likely to confuse than clarify—proving that you can still do a lousy job of communicating even if you follow the letter of the law.

Unfortunately, in today’s pension environment, there’s nothing like a jargon-filled document to rattle an already nervous membership. After all, members are only human and it’s human nature to fear or reject what we don’t understand—especially when it threatens our financial well-being.

Put this in the context of a shared risk or target benefit plan (where members have more to lose) or a DC pension plan (where members have critical investment decisions to make) and it’s clear why basic disclosure just doesn’t cut it.

It’s no longer enough to simply disclose what’s going on; members want and need to understand what’s going on. And that means stepping up our game from disclosure to communication.
Defining the difference
What’s the difference between disclosure and communication? Disclosure is a one-way, passive downloading of information. For example, producing a basic pension statement with the single goal of meeting legislated requirements would be disclosure. While understanding may be a by-product of disclosure (if you are lucky), it’s not a goal or necessarily expected.

Communication, on the other hand, is a two-way process. It involves the transfer of understanding, and typically seeks to achieve a desired outcome, such as modified behaviour or a change in attitude. Effective communication typically involves identifying audience needs and expectations, testing audience responses to the messages and establishing benchmarks for measurable outcomes that can be tracked over time.

We can think of disclosure as a product and communication as a process. Unlike simple disclosure, communication that is done well can achieve the following:

- engage your audience;
- help build trust and goodwill;
- lead to informed decision-making;
- foster support for change;
- help shape behaviour;
- reinforce key values; and
- demonstrate a commitment to good governance.

In contrast, limiting communication to simple disclosure can create resistance, undermine trust, produce a negative response, and lead to detrimental outcomes.

Levels of communications
Of course, communication is not a one-size-fits-all solution. There are different levels of communication, each producing different outcomes. The scale illustrates the different levels and outcomes.

At the lower end of the continuum, we’re into basic disclosure; at the top, full-on communication.

There may be times when basic disclosure is all you need; however, if you’re expecting your audience to get it, buy into it and be committed to it—whatever “it” may be—disclosure alone won’t get you the result you’re looking for.

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