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# Lessons from Lehman for pension trustees



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**A decade after the crisis, Rory Murphy says the industry must embrace the same approach to consumer engagement that is benefitting innovators in banking and retail**

Amid the inevitable flurry of coverage of the financial shock of 10 years ago, one of the most striking aspects is the complete disconnect between the people running the big financial institutions (Dick Fuld at Lehman Brothers and Fred Goodwin at RBS are obvious examples), and the people whose money they were managing - or mis-managing.

In an October 2008 meeting between UK ministers and senior banking industry figures, according to the *Guardian*, former Treasury minister Lord Myners "was shocked at the

bankers' lack of humility and the way they tried to intimidate ministers even when the crisis was at its most acute".

The impression one gets is that many of the most powerful figures in financial services were intent on pursuing strategies that served their own purposes, with little or no thought for the end consumer. That they could do so is testament to the opacity surrounding the products and services they were offering.

Policy makers and officials quickly implemented measures aimed both at mitigating the impact of the crisis, and preventing a recurrence, and we are still living with the fallout from those measures - through continuing low interest rates and austerity in public spending, for example.

But I believe there's another 'Lehmans lesson' that we should have learned (though I'm not sure all of us have) - namely, the critical importance of putting the best interests of the consumers of financial services at the top of the priority list - rather than at the bottom.

Popular distrust of banks and other financial institutions has shown little sign of recovering from the 2008 crisis. But this crisis of confidence in the bigger, traditional institutions has presented an opportunity for newer, smaller, more innovative businesses with the ability to communicate and engage more closely with the end user.

While pension funds could justifiably plead innocence to most of the charges levelled at the banks post-crisis, there is still an all-too-evident gap in understanding and engagement between pension funds or providers, and their consumers.

Our own recent research among workers and employers in the shipping and maritime industry revealed an alarming disparity between the importance each group attaches to saving for retirement through the workplace. While pensions ranked only sixth among factors cited by employers as aiding recruitment and retention, they ranked third for employees, more than 80% of whom regarded pensions as "very important".

The pension industry - and by that I specifically include trustees - must embrace the same kind of approach to consumer engagement that is benefitting some of the more agile innovators in the banking, lending and retail sectors. For the latter, this is an opportunity: for pension funds and providers, it is a responsibility.

In part, this can mean clearer language and greater use of online media and effective engagement tools. How many people who are in a default fund, for example, know what it is? And why such a negative sounding term?

It also means placing pensions and retirement planning at the heart of the broader benefits package for employees. People understand how much they're paid, how much interest they pay on the money they borrow, or how much they earn on their savings. Is it such a huge step to engaging on such concepts as how much they are saving for retirement, whether they should be saving more, how they can benefit from tax breaks or how best to access their savings as they approach retirement?

A well-run, accessible and approachable pension scheme that engages with its members and delivers meaningful benefits within a wider benefits package is a great

example of how the financial services sector can restore a reputation that took such a battering 10 years ago.

In fact, arguably, the *only* way to restore that confidence is to put the 'consumer' first.

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