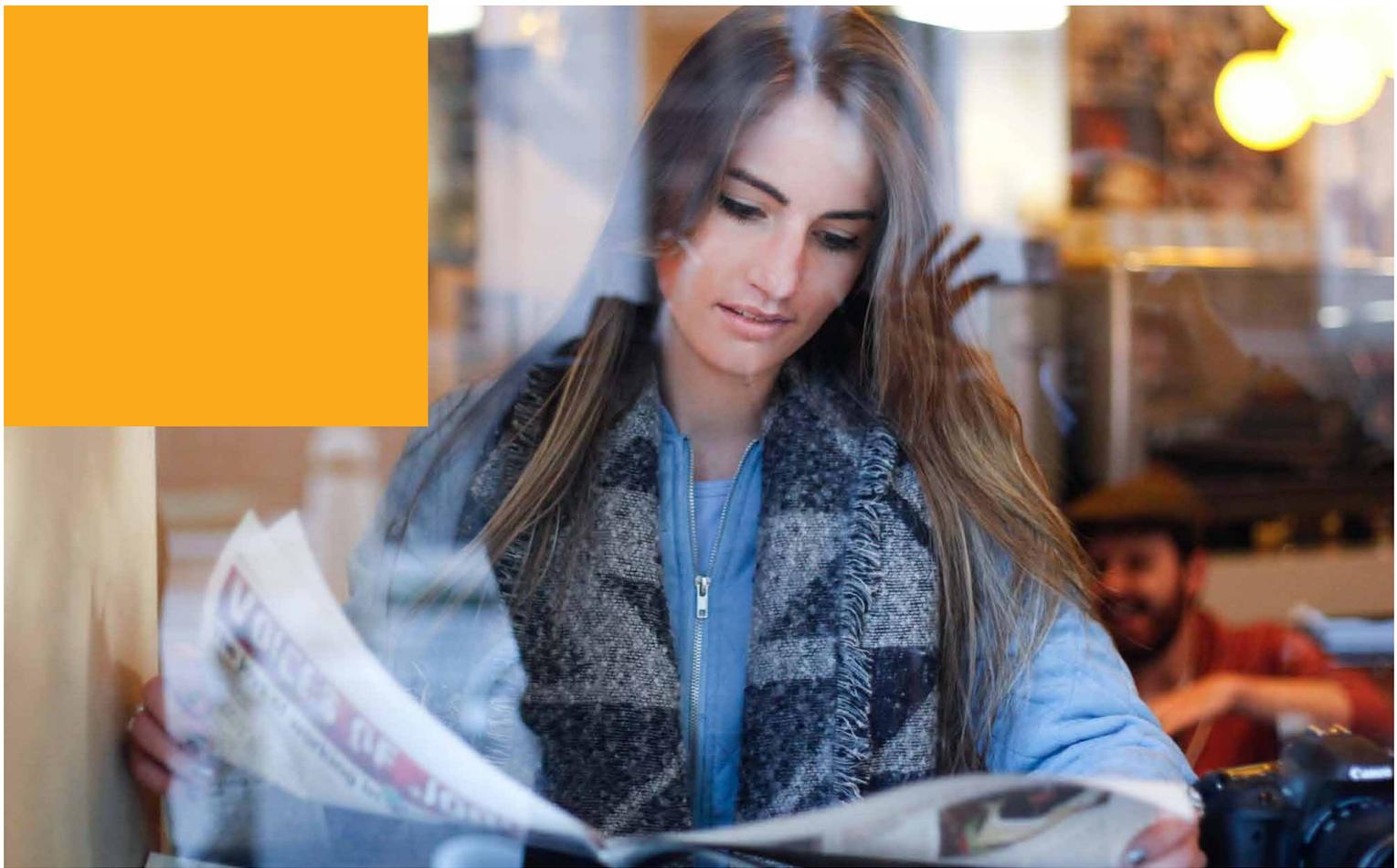


A woman with dark hair tied back, wearing a black raincoat, stands on a beach looking out over a misty ocean. The scene is overcast and rainy, with water droplets visible in the air. The woman is seen from the side and back, looking towards the left side of the frame.

MEMBER INFORMATION

Version 2 approved on
23 February 2022

VULNERABLE MEMBER FRAMEWORK FOR TRUSTEES



ABOUT THE FSC.

As the voice of the sector, the Financial Services Council is a non-profit member organisation with a vision to grow the financial confidence and wellbeing of New Zealanders. FSC members commit to delivering strong consumer outcomes from a professional and sustainable financial services sector. Our 100+ members manage funds of more than \$95bn and pay out claims of \$2.8bn per year (life and health insurance).

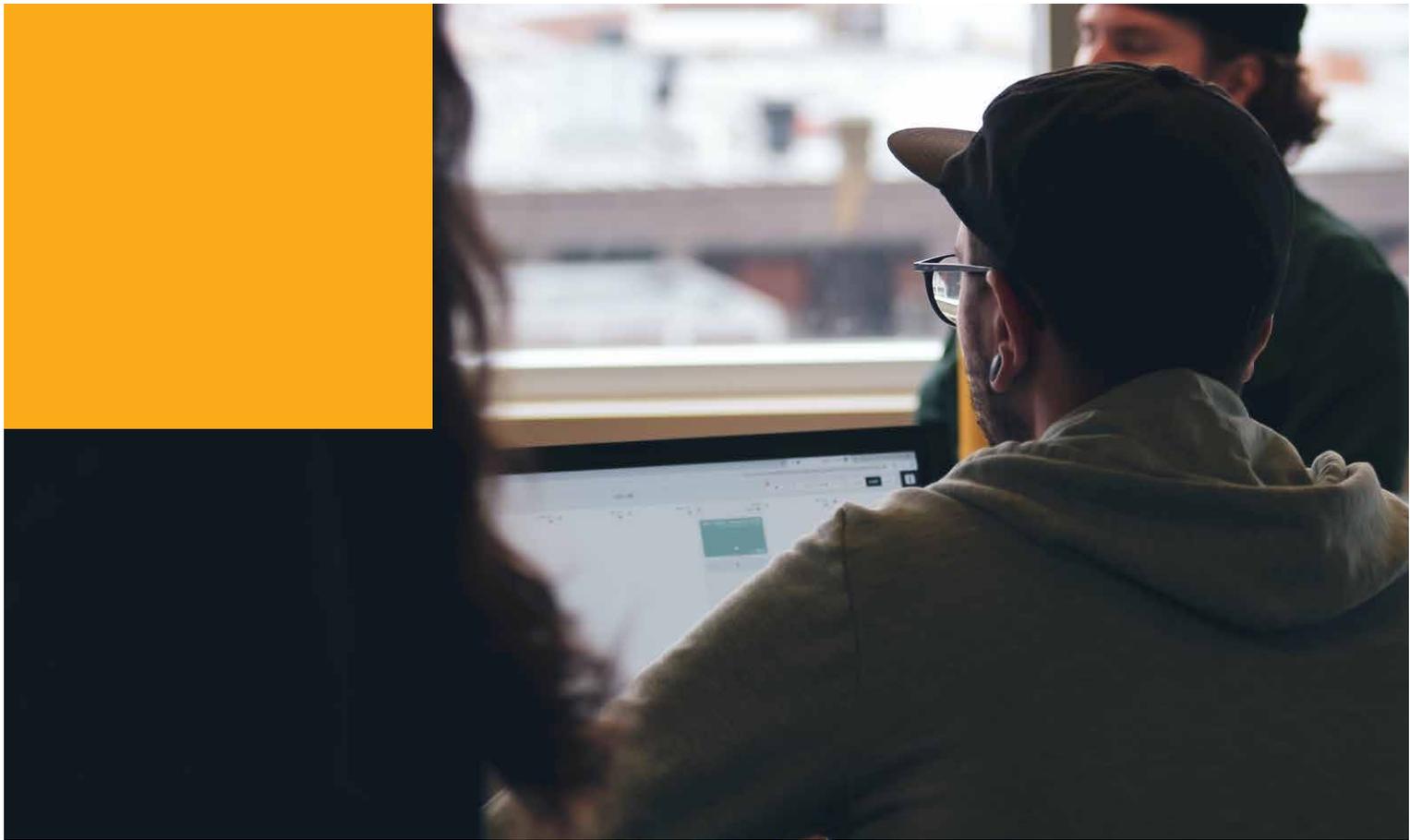
Members include the major insurers in life, health, disability and income insurance, fund managers, KiwiSaver and workplace savings schemes (including restricted schemes), professional service providers, and technology providers to the financial services sector.

All members of the FSC must comply with the FSC Code of Conduct. The Code comprises nine standards, including the obligation to treat customers fairly. This member information has been developed by the FSC Workplace Savings Committee in support of the Code.

This Vulnerable Member Framework for Trustees document is general information only. The views and opinions expressed do not necessarily reflect those of the FSC. It is not intended to constitute legal or financial advice and does not take your individual circumstances and financial situation into account. We encourage you to seek assistance from a trusted financial adviser, legal or other professional advice.

The names of any third parties are additional resources that you access at your own risk and the FSC takes no responsibility for any third party content.

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WHAT IS THE PURPOSE OF THIS FRAMEWORK?

This Framework is designed to assist trustees to:

- understand vulnerability and its impact on members;
- identify vulnerable members and their touch points;
- develop a scheme vulnerability framework alongside administration managers; and
- improve experience and outcomes for vulnerable members.

WHO IS A VULNERABLE MEMBER?

Definition

- A “vulnerable member” is someone who, due to their personal circumstances, is **especially susceptible to detriment**, particularly when a trustee (or its agents) is not acting with appropriate levels of care.
- Vulnerability is primarily determined by “circumstances” rather than being specific to any “type” of person.
- Trustees of workplace savings schemes must consider member vulnerability to help vulnerable members make good decisions about their savings.
- Vulnerability may affect members’ ability to make good decisions about their entitlements or membership under the scheme, which could affect their savings.
- In some cases, a member may not realise they are in a vulnerable situation.



IDENTIFYING VULNERABILITY

The drivers of vulnerability are not always obvious; income and debt levels are clear drivers, but financial capability and understanding, life events, physical health issues, disability, language and literacy, stress and mental health issues may also play a role.

The drivers of vulnerability have been mapped into four main areas:

- **Health and physical factors** - health conditions or illnesses that affect the ability to carry out daily tasks.

- **Life events** - major life events such as bereavement, relationship breakdown or environmental events.
- **Resilience** - low ability to withstand financial or emotional shocks.
- **Capability** - low knowledge of financial matters or low confidence in managing money.

Trustees (and their administration managers) can consider general trends to identify vulnerable members, such as records of member enquiries or complaints.

Health and physical factors	Life events	Resilience	Capability
Mental health issues	Recently migrated	Low savings	English as a second language
Physical health issues	Caring responsibilities	Loss of income / employment	Low digital literacy levels
Addiction issues	Bereavement / ending of relationship	Lack of self-confidence	Age-related impairment / elder abuse
Learning disabilities	Non-standard requirements: ex-offenders, children in care	Over indebtedness	Low level of financial capability, including limited understanding of their membership

CONTEXT FOR RESTRICTED SCHEMES

For restricted schemes, vulnerable member frameworks:

- Must be practical in implementation, reflecting the general nature and characteristics of the particular restricted scheme with a defined and limited membership (including size, benefit types, member profiles and scheme operational characteristics).
- Should not be a replacement or alternative for the employer/sponsor HR support role for staff.
- Need to have regard to other legislative requirements impacting schemes, particularly related to privacy and financial advice limitations.
- Need to consider that members may have multiple touch points over which trustees have varying levels of influence, including:
 - Employers. Because employers are usually a party to the trust deed, contribute to the scheme and have an employment relationship with active members, they may be the first to become aware of a member's vulnerability.
 - Union delegates. For schemes with unionised workplaces, a union delegate may be the first person to whom a member turns.
 - Trustees or administration managers.
- Need to have regard to the trustee obligation to ensure appropriate expenditure is undertaken on behalf of membership in general (where the scheme is operating on a "not for profit" basis with general membership meeting the cost of services and support in relation to any framework adopted).

- Should recognise how vulnerability is dealt with in existing scheme arrangements which deal with events such as death, insurance and hardship.

PRIVACY ACT

When identifying vulnerability, or becoming aware of information identifying vulnerability, persons with that information must consider their obligations under the Privacy Act 2020 (**Privacy Act**).

Under the Privacy Act, relevant information privacy principles include:

- **Principle 2:** Source of personal information;
- **Principle 10:** Limits on use of personal information; and
- **Principle 11:** Limits on disclosure of personal information.

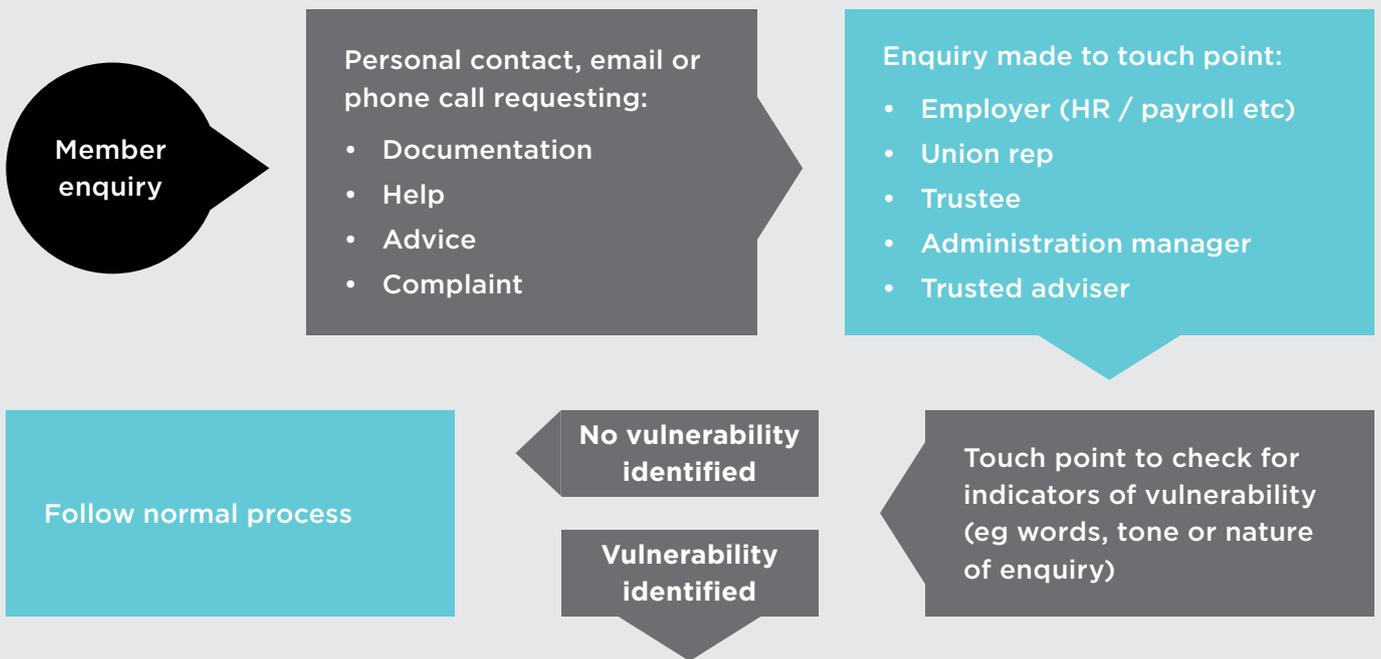
These principles allow personal information to be collected, used and disclosed in certain situations.

These situations include where it is:

- directly related to the purpose in connection with which the information was obtained; or
- authorised by the individual concerned.

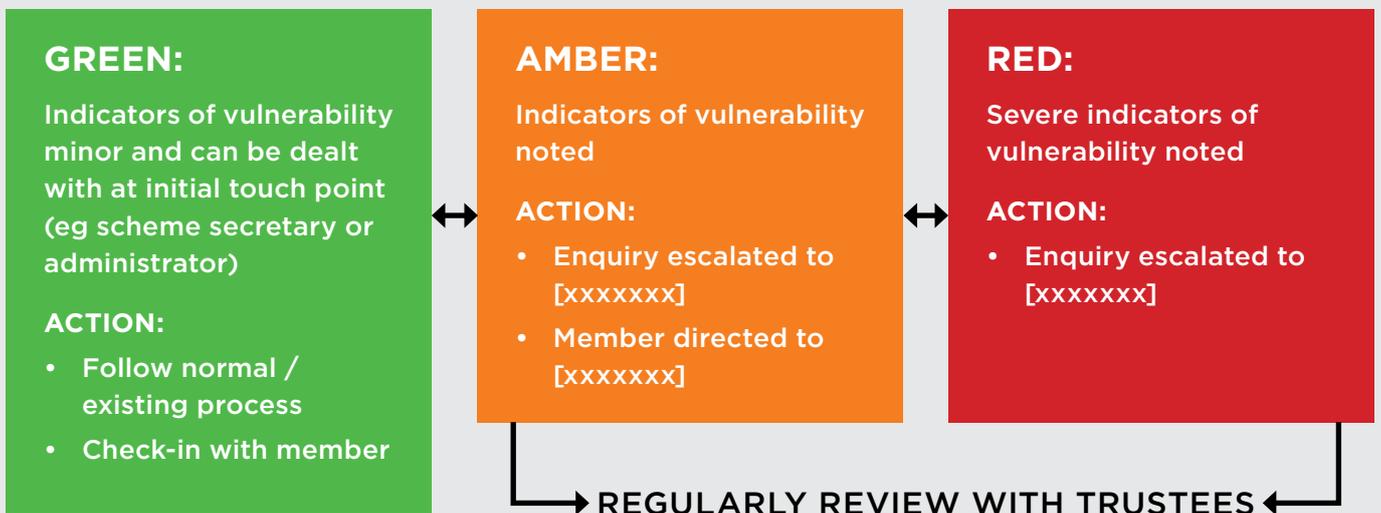
Therefore, persons holding personal information indicating vulnerability must consider whether using or disclosing that personal information is directly related to the purpose in connection with which the information was obtained, or whether they need to gain the member's consent.

ESCALATION PROCESS FOR VULNERABLE MEMBERS



ESCALATION PROCESS

LEAD CONTACT: ADMINISTRATOR/SCHEME SECRETARY



Source: Mercer NZ

ESCALATION PROCESS CONTINUED

Each scheme should establish how their escalation process will work in practice.

In most cases, it will be a similar process to existing scheme processes for complaints or privacy issues. That is, the initial touch point considers how to deal with the issue and decides whether to escalate it.

However, for the **Amber and Red cases of vulnerability**, the initial touch point should determine the appropriate next steps in dealing with the vulnerable member within a general framework agreed with the governors of the scheme. This includes engaging with scheme parties (eg trustee chair and employer HR).

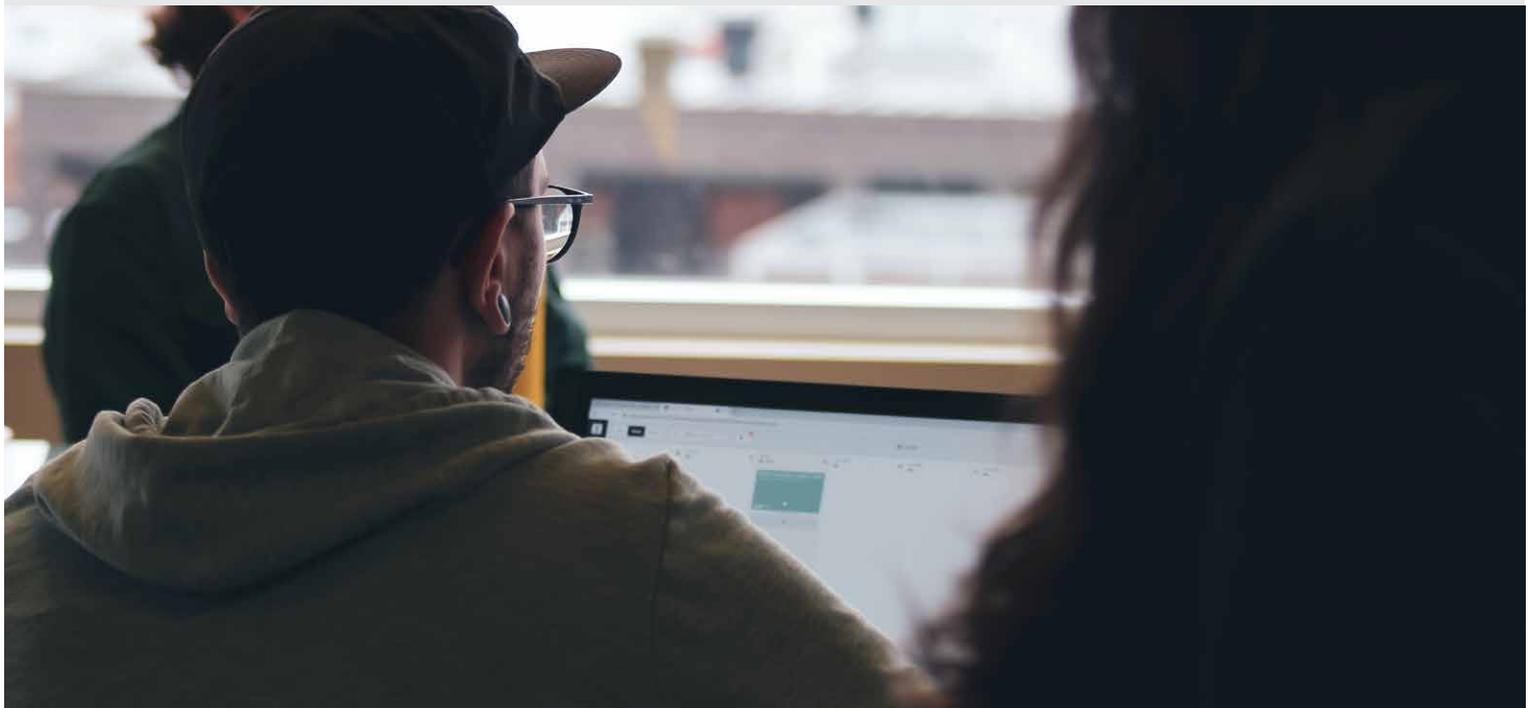
HOW YOU CAN ADDRESS VULNERABILITY

1. Effective support services

You should consider what, if any, **specialist support services or other resources will be available** to identify vulnerable members.

Effective support services may include:

- The ability for the member to nominate a designated third party who can support the member in their interactions with the trustee (or its agents), such as a family member or independent financial adviser.
- Setting up systems and processes in a way that will support and enable vulnerable members to disclose their needs. These systems should also be able to spot signs of vulnerability, including trigger words.



- Making members aware of support available to them, including relevant options for third party representation, any specialist support services or other resources.
- Putting in place systems and processes that support the delivery of good customer outcomes.

2. Communication

Communication to vulnerable members must be **clear** and **provided in a way they can understand**.

When communicating with members, you should:

- Consider multiple communication channels (eg online, telephone, email, text, written, video call and face-to-face).
- Consider the characteristics of the scheme's membership.
- Avoid using jargon.
- Use phrases such as “extra help” or “additional support”, rather than the term “vulnerable”, which may encourage members to disclose their needs.
- Ask members if they understand key investment or benefit details and addressing situations where they do not.
- Consult with the employer and any union.

3. Training

You should ensure that all member touch points and others involved in the scheme are aware of the expectation in identifying and dealing with vulnerable members and, ideally, **receive vulnerability training**. This could include:

- Understanding your scheme's vulnerability framework, including the escalation process when vulnerability is identified.

- How to identify circumstances that may result in member vulnerability (eg identifying red flags, such as words or tone).
- How to address the needs of vulnerable members (eg using the LEAP framework – Listen, Empathise, Ask, Propose).
- How to adapt processes or services when assisting members who show indicators of vulnerability.
- Understanding and complying with the Privacy Act and financial advice limitations.
- How to identify complaints and when to refer members to the scheme's disputes or complaints officer.

4. Changes to your scheme

Changes to your scheme must **avoid potential harmful impacts on vulnerable members**.

This includes trust deed amendments or new investment options, benefits or withdrawal rights.

When making changes to the scheme, you should:

- Understand the nature and scale of characteristics of vulnerability that exist in your membership and consider whether proposed changes potentially impact vulnerability.
- Consider communicating with vulnerable members and an appropriate way of doing this.
- Assess the complexity and readability of key documents and web content and make changes to make them more accessible.

ONGOING REVIEWS

Your vulnerable member framework should be **regularly reviewed and validated**.

Responsibility and accountability for monitoring vulnerability rests with the trustees.

The trustees should work with the administration manager to regularly evaluate and review their processes and the needs of vulnerable members, how these are being met and how to improve vulnerable member outcomes.

Reviews should also involve consulting with the employer and any union.



NEXT STEPS FOR TRUSTEES

1. Work with your administration manager to discuss and develop your scheme's vulnerability framework;
2. Find out what level of vulnerability training / experience already exists within the HR team of the employer and any union;
3. Encourage the employer and any union to ensure they have staff appropriately trained to deal with vulnerable employees / members;
4. Consider what, if any, support services will be available as part of your scheme's vulnerability framework;
5. Communicate your new vulnerability framework to those involved in the scheme;
6. To the extent appropriate, provide vulnerability training to member touch points (other than employers and unions);
7. Consider how you will communicate your scheme's vulnerability framework to members; and
8. Add member vulnerability as a standing agenda item at trustee meetings, to:
 - receive your administration manager's report, containing an assessment of the vulnerability framework activity (rather than reporting on individual members) and general trends; and
 - discuss ongoing training and areas for improvement.

Financial Services Council NZ



Grow the financial
confidence and wellbeing
of New Zealanders

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