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# The importance of member experience in pension scheme buy-ins and buy-outs

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**Member experience has never been more crucial in deciding with which insurer to transact a buy-in. It should be a priority throughout the buy-in process, from strategy-setting before approaching the market, all the way through to buy-out and beyond. We're working with our clients to make sure the member experience stays front and centre.**

Member experience has grown in importance for pension scheme trustees over the years. Many are looking to enhance the member retirement journey by giving members more support and better access to information. Some schemes are introducing options for members to shape their retirement income in a way that complements their lifestyle.

It's unsurprising that trustees wish to see these efforts continue during, and after, critical transitions such as buy-ins and buy-outs.

Many schemes are in a strong funding position when they approach the market. Choosing an insurer is about more than just price – the focus is on a broad range of selection criteria. Insurers vying for business are using member experience as a way to differentiate themselves from their peers – which in turn can only benefit members.

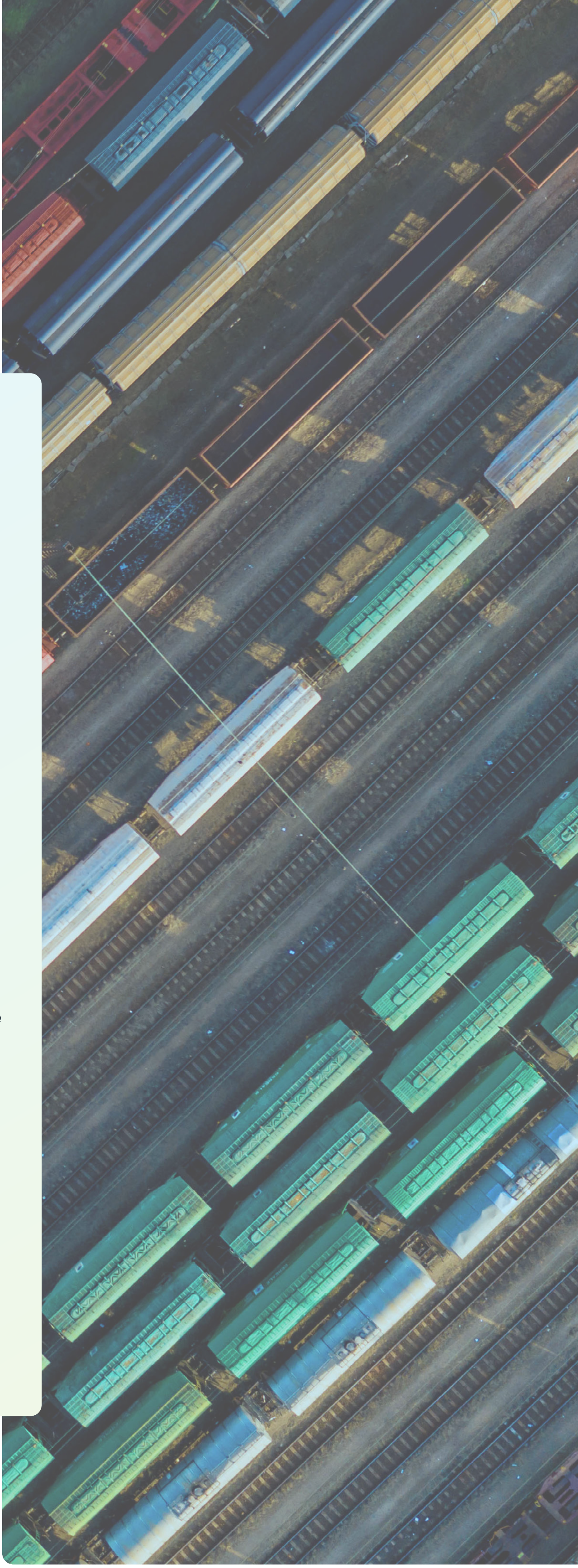
## Starting the endgame journey with member experience in mind

Prioritising member experience doesn't just benefit members; it can be a strategic imperative for a scheme. By considering member experience early, schemes can engage insurers promptly and focus on aspects important to the member. Doing so helps a smooth transition to buy-in and buy-out. It also lets members continue to enjoy the high level service they've come to expect.

The responsibility for member experience lies with specific parties as the scheme moves from being an 'ongoing' scheme, to being between buy-in and buy-out, and then after buy-out. With the trustees being primarily responsible up until buy-out, and the insurer taking over from buy-out, we need to ensure that trustees are confident their members will receive a good member experience once they've stepped away.

## Before a buy-in

In a scheme that hasn't yet bought in, the trustees are responsible for the member experience. Schemes have an array of approaches to member experience, including monitoring the administrator and holding it to account, and giving members education or options. We can take into account what is already offered to members, and use this to help shape the broking strategy based on what's important to the trustees, and what members value.



### Member experience at the heart of the broking process

We recently advised a trustee on an £800m buy-in. The trustee's priority was for members to continue getting first-class service after the transaction, including access to an online modelling tool.

We put member experience at the heart of the broking process. We started by talking to the administrator about the current level of member service and processes behind it.

Then we negotiated a path of least disruption with shortlisted insurers. We tailored the insurers' member quotation processes to fit the scheme's existing arrangements, and agreed a plan and timeline for implementation.

The insurer committed to giving members the same access to online services as they currently enjoy, should the scheme ever buy out.

We helped the trustee to assess the insurers' administration and member experience credentials. The trustees used our detailed insights from insurer due diligence and live cases, and visited insurers on site.

As a result, the trustee made an informed decision, entering into the buy-in with confidence and clear expectations on what the future looked like for the members.

*"The trustee board is delighted to see a successful outcome after a rigorous selection process across market insurers and months of dedicated preparation."*

*Chair of Trustees*

## During the buy-in

During the buy-in process, responsibility for the member experience remains with the trustee. Understanding what insurers can and can't price where there are complex or unusual benefits and/or factors will also impact decision making on which insurers to approach. The trustee also has to keep an eye on what an insurer will provide after a buy-out, and ensure members are informed of any changes to their current retirement journey or experience.

In most full-scheme buy-ins, trustees adopt insurer factors effective from the transaction date, to minimise any mismatch risk. This usually means that the incumbent administrator updates its process for giving members retirement quotes, transfer values and settlements.

### A simple change in the standard scheme factors

**From the point of buy-in, many schemes choose to adopt insurer factors. These factors can lead to changes not only in the value of a member's benefits, and how much they may receive, but also in the administrator's process.**

**For most schemes, a change in scheme factors is fairly infrequent – sometimes factors can go years without changing. However, insurer factors are often updated monthly, so an administrator has to load a new set of factors more frequently, and the format of the factors provided each month by the insurer might differ greatly to the format of factors previously used. This increased frequency, and any potential re-programming of automated processes to accommodate insurer factors, will come at a cost and could lead to delays to members' retirement quotes if not planned for ahead of time – which could lead to member dissatisfaction.**

**An insurer will sometimes calculate member quotations itself, or give the administrator a tool to calculate benefits on the insurer factors. Delays can appear here too, if the hand-off between the administrator and the insurer is slow, or if the administrator isn't trained in how to incorporate these changes into the process.**

**Early engagement with insurers and administrators, before signing the buy-in, can help to avoid delays and minimise blackout periods.**

## After the buy-out

Once trustees decide to buy-out the scheme, they are handing over the responsibility for their members to the insurer. It's important to recognise that, until this point, scheme members have been part of a pension scheme they are familiar with, often having worked for the sponsor for many years. A dedicated set of trustees have looked after them, and overseen the security and administration of their benefits.

The transition to an insurer, whose name and background may be unfamiliar to members, is a significant change. Members are placing their trust in the trustee to select an insurer that will protect their interests, pay their pensions reliably and support them throughout their retirement journey.

Trustees must carry out due diligence on an insurer's administrative capabilities as part of the selection process. They should also continue to monitor any changes or developments in the insurer's administrative capabilities and offerings post buy-in, so they are confident that their members will have a strong experience after the scheme is bought out.

Whether an insurer administers benefits in-house or outsources administration, each insurer spends a lot of time monitoring the administration processes. They continue to invest in their systems and processes in order to improve the member experience, to benefit all members once they become policyholders.

## Raising the bar: innovations in the market

With the growing focus on better supporting members throughout their retirement, with what is arguably one of the most important decisions a member ever has to make. Many trustees are investing in ways to support and educate members on their scheme benefits, including offering features such as:

- Retirement modellers
- Online functionality to view retirement quotes and transfer values
- Access to an independent financial adviser
- Annual deferred benefit statements
- Options at retirement such as bridging pensions and pension increase exercises

Insurers are also investing to improve member offerings and go beyond standard administrative functions. They're doing so not just to stand out from competitors, but because they're taking on deferred members in many transactions. They also have a duty to treat customers fairly. This has led to developments in the following areas:

### Investing in their online capabilities

All insurers have some form of online offering for members after a buy-in. It might be the ability to view payslips and scheme documents, or modelling retirement quotations and completing the retirement journey online.

### Educational resources

Insurers give members access to resources that help them understand their benefits and make informed decisions. These resources include online documents, FAQs, videos and policyholder events. Members are invited to hear directly from insurers on a variety of pensions topics and learn more about the insurer. Some insurers also give members access to independent financial advice, either as a standard offering or after buy-in negotiations.

### Communications

All insurers have invested in their communications. Some have had their communications assessed independently; others have gained accreditations such as the Plain English Campaign's Crystal Mark. These investments aim to make communications easy to understand and enhance the member experience.

### Securing 'complex benefits'

Insurers are now more willing to discuss maintaining complex benefits and options for members, although this usually involves an extra cost.

Insurers can price and administer these complex benefits. For example, some schemes have introduced a 'PIE at retirement' which is an option where members can opt to exchange some of their increasing pension at retirement for a higher nil-increasing pension. In the past this was a complex benefit and there was little appetite to insure. However, if this option was particularly popular with members, and the trustees are keen to see it continue, some insurers are now able to price this option and continue it post buy-out. Trustees must assess whether an option is of genuine value to members, or whether they'd benefit more in another area.

## What should trustees look for?

Trustees should consider member experience and the insurer's administration capabilities early in a scheme's endgame strategy. These areas shouldn't be overlooked during the buy-in process. A buy-out is an irreversible transaction, and trustees need to be comfortable that they're partnering with an insurer that focuses on enhancing administration and member experience.

By doing this, trustees not only secure member benefits in full, but ensure their members are in safe hands and will receive the same good service trustees have worked hard to provide.

## Contact us

If you have any questions, or would like to discuss in more detail, please get in touch.

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