HYMANS ROBERTSON

5 Reasons why you should review your DC pension arrangement

Many of your employees will be relying on a workplace pension to support their retirement. It's a core benefit, and the spend on DC pensions is usually a significant cost for many employers.

In the current high inflationary environment, increasing employer or employee pension contribution spend is not always possible. So it's important that you're getting maximum value from your pension provider for your employees, as this can have a profound impact on their retirement outcomes.

Over the last few years, we've seen a rapid move from single trust-based schemes to Master Trusts, and also a shift in some from contract-based arrangements to Master Trust. We expect this trend to continue following the regulatory steer on consolidation of small schemes and focus on value. As a result, we see providers looking to develop their propositions, both to grow and retain their assets under management. This presents significant opportunities for employers to ensure they're getting the most value from their provider. Our research and analysis suggests that a review of your pension arrangement could lead to an increase in members' pots at retirement by up to c15%.

At Hymans Robertson we want every member to have the best possible retirement outcome. Here are our five reasons why you should consider reviewing your current arrangement.

1

Focus time and resource on areas that matter most

If you currently operate a Trust based scheme for the provision of your DC arrangement, a review might reveal that your Trust based governance costs are very high, takes up a lot of time or doesn't achieve what you want it to.

2

Proposition, price and service

The Master Trust authorisation process during 2018/19 sparked a race for providers to grow their assets and membership. This has resulted in Master Trust providers investing significant amounts of money in the development of their offerings, including investment, communications, at-retirement offerings and tooling. Many contract-based providers are looking to mirror this to remain competitive and offer good value for money.

Understanding how the provider market has evolved and benchmarking your arrangement in terms of proposition, price and service against others, will ensure that your chosen provider continues to deliver the market leading value that is available to schemes today.

3 Understanding future developments

Continued innovation and sophistication in pension offerings are required to deliver better outcomes for savers. This includes, but is not limited to: more sophistication in investment solutions (introducing illiquid assets to drive returns); seamless to and through retirement solutions; better guidance and support for members; and innovation in retirement solutions to support sustainable incomes, such as longevity pooling.

Given the size and scale of pension providers, they will play a key role in developing and delivering such solutions. Understanding planned developments from your provider and challenging your provider to be an early adopter will ensure your members benefit as soon as possible from such developments.

4 Increase appreciation of the scheme

To support DC scheme members with saving more effectively and understanding the value of the scheme you offer, it's important to have a communication strategy that is consistent, results driven and most importantly, genuinely engaging.

Tools and technology have an increasing role to play in this, eg video statements and mobile apps to make saving easier. Providers have made significant investments in improving technology and communications to deliver best-in-class member engagement strategies which can sit alongside any corporate communications. Reviewing and leveraging the services of your provider and ensuring it's well suited to your membership will help drive appreciation and understanding of your pension offering.

5 Alignment with your corporate strategy

You may have spent a lot of time developing your corporate strategy, including setting ESG and DE&I policies. Aligning your pension arrangement to your corporate strategy will play an important role in your employee value proposition.

Over the past year we've seen dramatic changes to default investment funds, with providers introducing higher allocations to more ESG focused funds. Providers are also developing how they improve DE&I in their pension offerings, for example, through diverse Master Trust Trustee Boards or how to make communications accessible to all members. We would recommend reviewing the practices and policies of your pension provider and challenge how well aligned these are to your corporate strategy.

Time to review?

Now is an ideal time to review your pension scheme arrangement, in an era where hungry providers are looking to retain and win work. If you do decide to review your arrangement, it's vital that you carefully assess and select the provider that will best serve you and your employees' needs - getting the right support and advice is paramount to success and good member outcomes.

If you have any questions about reviewing your current arrangement to ensure best value for money, or moving to a new arrangement to seek better value, please get in touch.

Hannah English
Head of DC Corporate Consulting
hannah.english@hymans.co.uk

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