HYMANS ROBERTSON

Debunking the myths of moving pension arrangements

There are a number of misconceptions when it comes to moving your DC pension scheme arrangement. Here, we debunk those myths once and for all!

MYTH 1

When it comes to choosing a pension provider, they all offer the same thing.

In reality:

Providers all have something different to offer.

Where master trust arrangements and contact based arrangements are similar is that they need to meet the regulatory requirement set by the Pensions Regulator and FCA respectively. But beyond this, it's very much down to the provider to set a strategy on how they are going to provide value for their members. That could be through the use of targeted communications and technology to drive member engagement, through to the design of their default investment strategy or through to the access members have to advice and guidance in the lead up to retirement.

So what providers offer, and the quality of these offerings, can differ quite significantly. We think this is a good thing as employers can pick a provider that best aligns with their objectives, and best meets their members needs.

The pensions market is also continually evolving as providers develop their offerings to stay competitive which helps drive innovation and competitive pricing.

MYTH 2

Once you're in a Master Trust or GPP arrangement, you shouldn't need to change your pension provider again.

In reality:

You can change from one arrangement with an existing provider to another arrangement with a new provider, and sometimes this will be the right thing to do. In recent years we've already seen many schemes move their schemes from being within a GPP arrangement to be within a Master Trust arrangement. Whilst Master Trust to Master Trust moves have not been commonplace in the pensions market to date, we expect this to change in the next few years.

Since automatic enrolment requirements were introduced in 2012 many employers have set up DC schemes in GPP or Master Trust arrangements, but may not have reviewed the arrangement for a number of years and checked that it still delivers value. Both the Master Trust and contract-based market have changed a lot in this time, and as we mentioned above, pension providers are constantly developing their offerings to stay competitive in a continually evolving pensions market.

Our view is that it's good practice for employers to review their provider every three years to make sure they continue to align with their objectives and best meet the needs of their members. Following a review, it may be that a market review and change of provider is the best course of action for your members.

MYTH 3

It's really time consuming and complex to change to a new pension arrangement.

In reality:

Changing pension providers can take as little as 3 months and the heavy lifting for setting up the new arrangement within payroll is done mainly by the provider. We would always recommend that employers allow a little longer, but 6 – 9 months is absolutely sufficient.

One of the key parts to changing to a new pension arrangement is communicating and, in some instances, consulting on the change to your members. The providers will often support on these communications to members and work with employers to develop a communications strategy that dovetails well with any wider corporate communications being prepared.

If you're also considering other changes within your business, for example, changes to your workforce, pension scheme design (contribution or investment), integrating a new payroll system or financial wellbeing support, then it might be more efficient to consider any required changes to your pension provider alongside this so that any changes can be implemented at the same time.

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**.

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