

Strengthening pension oversight: key strategies for 2025

An employer's spend on a pension scheme forms a significant part of the overall reward and benefits spend, and will have a profound impact on the retirement outcomes for millions of today's DC savers. It therefore comes with both risk and responsibility.

Given this, we're seeing government policy and regulators stepping up their collective focus and expectations that employers have a good oversight of their arrangement; most recently, the November 2024 Mansion House speech shone a light on employer duties.

In this short publication, we summarise the key reasons we believe corporates should ensure they have robust oversight of the pension arrangement they offer for their staff today.



Reduce the risk of providing a pension arrangement:

Auto-enrolment requires all companies to provide workplace pension provisions for staff. However, as pension provision in the UK has moved from DB to DC, we've seen a reduction in the number of companies employing pension experts to manage such arrangements. That can be dangerous because, without an expert running the scheme, this introduces the risk that if something goes wrong it may go undetected for a long time. That exposes the companies to many risks, including:



The Pension Regulator getting involved and taking enforcement action.



Significant costs of putting problems right, including making up for any lost investment returns if incorrect historical payments have been made.



Complaints and loss of employee trust.



Ensuring pension arrangements deliver optimal value

Many corporates will have outsourced their pension provision to a contract-based or a master trust provider. All providers are facing increasing regulatory pressures to provide good solutions (investment, decumulation, guidance) which support good member outcomes. At the same time, they are all competing to win and retain business and are therefore launching new developments which will deliver better value for members. The responsiveness of providers and the effectiveness of their services will vary considerably. Corporates should reduce their risk and ensure that their provider is meeting these requirements, and offering good value compared to other competitors in the market.



Supporting overall Employee Value Proposition (EVP):

A pension plan is consistently rated as one of the top three benefits valued by employees. A good pension arrangement that offers more than the legal minimum can help an employer stand out from the crowd and attract and retain top talent.

When considering how attractive a DC pension arrangement is, contributions are key. Employees will want to understand what their employer will contribute and how much of their salary they need to pay. It's also important to understand the retirement outcomes that will result from contributions being paid in. The aim of paying into a pension is to enable employees to eventually retire.

Corporates who have a keen eye on their arrangements will better understand how their offering stacks up against competitors. This knowledge can be used to support not only developing and shaping an EVP to promote to staff, but also ensure that the costly benefit a corporate provides is both understood and appreciated.



Ensure corporates are keeping up with recent developments and aware of what's on the horizon:

If corporates don't have some formal oversight in place, it might not be clear who is responsible for responding to changes, and valuable opportunities could be missed as a result. A recent example is the October 2024 Budget announcement that Employer NICs are going up. There are several interventions linked to pension contributions that could mitigate some of the increase in NIC costs. If it's not clear who is taking responsibility for overseeing the pension arrangement, such developments could be overlooked.

In a nutshell, good oversight of your pension arrangement is becoming an increasing area of regulatory focus, and employer duties are likely only to increase. Good oversight will not only meet such requirements and any future development, but also help corporates reduce the risk of running a scheme and ensure such a valuable benefit is well understood and appreciated by staff.

We'd be delighted to discuss this with you – whether you aren't sure where to start, or wish to explore one of these areas in more detail, **please get in touch.**



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