

A matter of balance

✓ Tony Pugh explores how to get the right balance of DC pensions quality and time commitment

If you asked most employers what their biggest business priorities are for this year, 'spending more time on the pension scheme' is unlikely to feature on the list.

Aon's *UK DC Pension Survey 2020* showed that 35 per cent of employers with their own trust-based pension arrangements and 20 per cent of those with contract-based/Group Personal Pension (GPP) plans are looking to move to a master trust. Of these, 54 per cent with their own trust want to move due to the cost, time and resource pressures of running their own plan.

DC schemes of all types are rapidly increasing in asset size and are forming an ever-more important part of individuals' retirement savings. It is therefore vital that DC pension arrangements meet the needs of and provide value for their members. But employers may not be able to commit sufficient time or resource to their scheme to achieve this as effectively as they would like.

Delegating some or all of the day-to-day running of a pension scheme helps to find a balance between good pension governance and corporate time commitment. Through delegation, employers and scheme managers can reduce the resource-heavy burdens of regulation, administration and investment, all of which Aon's survey respondents said took too much of their time. Instead, they can focus on high-impact activities such as creating effective, well-targeted communications and boosting employee engagement.

Achieving the right balance between time commitment and continuing to offer a good quality scheme is fuelling interest in master trusts, both from

trust-based schemes and employers with GPPs. Master trusts can offer the same or a better standard of governance and delivery than many employers' current arrangements, while demanding less time and resource from the business.

Of trust-based schemes that are considering a move to master trust in the next five years, 14 per cent say they expect it to offer better outcomes for members. That number increases to 47 per cent among employers using GPPs which are considering this change.

The decision to move employees' pension arrangements should not be taken lightly. Three key points for employers and scheme managers to consider are:

Will the new arrangement deliver value for members?

Delivering value for members remains a priority, with 76 per cent of respondents to Aon's survey saying that this is part of their scheme's business plan. A clear definition of 'value for members' and how this will be measured is therefore crucial, but around a third of schemes do not track progress against their objectives. A change of governance structure can enable employers to revise and reset their value for members' objectives and plan how to measure and deliver them.

Can members achieve good outcomes?

Most schemes' definition of 'good outcomes' is still focused on contribution rates and how these compare to their competitors. But it is more important to help employees understand what they will need for an adequate standard of living in retirement and how they can achieve it. When switching to a new



arrangement such as a master trust, it is important to ask how members will be supported in defining and reaching their retirement ambitions. This could also be an opportunity to review communications and the role of DC pensions within a company's wider financial wellbeing strategy, to shift the focus to retirement living standards rather than contribution rates. Sixty-five per cent of survey participants said they would like to spend more time communicating with employees and 42 per cent wanted to spend more time on strategy.

Will it benefit workforce planning?

Delegating service delivery to a master trust can free up time to focus on how the DC pension and associated benefits support employees' transition from working life to retirement, at a time that suits both the individual and the business. But only 25 per cent of respondents said that they had considered how pension retirement outcomes might affect their future workforce planning. Delegating pension scheme delivery to a master trust could help employers win back the time they need to achieve that.

To read more about the findings from Aon's 2020 DC Survey, visit bit.ly/DCSurvey2020Webpage



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