

## Implementing flexibility for DB scheme members

JULY 2014

*This checklist is a reference for employers and trustees.*

This checklist should be read in conjunction with our note “Budget 2014: Flexibility for DB scheme members”. It is unlikely to be complete in any particular case.

### Step 1: Review the options available under the scheme rules

*Consider which options are currently available to members under the scheme rules and which options you wish to make available, including considering the following:*

Do the rules allow all non-pensioners to take a cash equivalent transfer value at any age?	<input type="checkbox"/>
Are partial transfers permitted under the rules?	<input type="checkbox"/>
Should a non-statutory discharge for transfers (and partial transfers) be built into the rules or other scheme paperwork at all ages?	<input type="checkbox"/>
Do the rules allow trivial and small pension commutation up to the new limits, including for existing pensioners? Are the consent requirements appropriate?	<input type="checkbox"/>
Can both actives and deferreds take early or late retirement? Are the consent requirements appropriate?	<input type="checkbox"/>
What do the rules imply for “Normal Minimum Pension Age” (NMPA) for different membership groups?	<input type="checkbox"/>
Should the interaction between DB and DC in the same trust (including AVCs and tax-free lump sums) continue to work in the same way as it has in the past?	<input type="checkbox"/>
Consider any implications for other options eg additional dependant’s pension/temporary pensions/ill-health.	<input type="checkbox"/>
Consider the consents required under all options – what consents are currently in place from trustees/employers and do they remain appropriate (eg provide blanket or individual consents)?	<input type="checkbox"/>
What are the administrative and communication consequences of the various options?	<input type="checkbox"/>
Consider the extent to which the short term transition easements for delaying the purchase of an annuity should be incorporated into your scheme to help ease retirements before April 2015.	<input type="checkbox"/>
Are the scheme’s rules for pensioner transfers appropriate?	<input type="checkbox"/>
Should a Pension Increase Exchange (PIE) and/or GMP conversion option be built into the retirement process?	<input type="checkbox"/>
Do rule amendments need to be made for “recycling” of lump sums or anti-abuse measures?	<input type="checkbox"/>
Are there any classes of members with special option entitlements, either within the rules or set out separately?	<input type="checkbox"/>
What rule changes are necessary and can be agreed between employer and trustees to implement the desired package of options?	<input type="checkbox"/>

*Note the Government is consulting on whether members of DB schemes will be able to directly cash out their benefits without transferring to DC.*

### Step 2: Review member option terms

*Once the trustees and the sponsor have agreed what options are to be made available to members, the next step will be for the trustees, with appropriate employer consultation, to review the terms for the various options, including the terms offered for transfer values and lump sums.*

Do the terms offered remain appropriate and fit for purpose?	<input type="checkbox"/>
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Consider consistency, particularly between transfer value terms, early/late retirement adjustments and commutation terms at the critical ages of 55 to 70.	<input type="checkbox"/>
Within the range of what is permitted by legislation and the Scheme Rules, should terms be more generous (to encourage take-up) or less generous (to result in higher savings for the Scheme, for each member who chooses the option)?	<input type="checkbox"/>
How frequently should the terms be reviewed?	<input type="checkbox"/>
How long should retirement quotations be guaranteed for?	<input type="checkbox"/>

*Sponsoring employers are likely to take a much greater interest in member option terms in the future. Generous terms may result in higher take-up of various options, and will cost the scheme more “per member who takes the option”, but overall this could be a more favourable outcome on scheme finances. An appropriate balance will need to be struck between fairness to members and seeking to manage the risks and costs in the scheme.*

### Step 3: Design the new retirement process and communications

*Once the options have been confirmed, these will need to be communicated to members:*

Consider the design and timing of the new retirement process including the communications for any upcoming retirements in 2015.	<input type="checkbox"/>
Should transfers to DC be facilitated via an occupational DC scheme and/or the employers’ group personal pension?	<input type="checkbox"/>
Written communications should be revisited, including booklets, and retirement letters.	<input type="checkbox"/>
Further communications should be considered, including regular reminders of options, response cards/text message to request quotations, and use of retirement seminars, internet, intranet, smart phone integration and email.	<input type="checkbox"/>
Should financial advice and/or guidance be offered to all retiring members, provided and paid for by the scheme or the employer? This can provide a measure of protection for all concerned.	<input type="checkbox"/>
Are administrators prepared for the new process, including the likely provision of more benefit quotations?	<input type="checkbox"/>
How checks on financial advice will be undertaken.	<input type="checkbox"/>
How should the success of the new process be monitored and measured, and using what metrics and KPIs (to ensure the additional administration and communication costs can be justified)?	<input type="checkbox"/>

### Step 4: Consider implementing a one-off exercise

*Once the process for members approaching their retirement as a matter of course has been agreed and implemented, employers and trustees should consider whether the following one-off bulk exercises could dovetail those plans:*

One-off communication to all members aged 55 or over to make them aware of the new options.	<input type="checkbox"/>
Pensioner trivial and small pension cash out exercises (only as a one-off bulk exercise, to mitigate the selection risk).	<input type="checkbox"/>
Transfer value exercise (with or without enhancements) for members aged below age 55.	<input type="checkbox"/>
Pension Increase Exchange (PIE) for current pensioners.	<input type="checkbox"/>

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