

DC facts, myths and legends

Poll findings

October 2016

After another turbulent year for trustees and employers of schemes with DC arrangements, we took stock of DC developments to see what new legal requirements could be arriving shortly. At our recent seminar and webinar we asked more than 70 individuals from the UK's top pension schemes what they thought about the Chair's annual statement, member consent, security of DC assets and auto enrolment. Here is what they told us:

How have you found the process of completing the first Chair's statement?



12%

Easy



70%

OK



18%

Difficult

“ Sackers' view

It is good to know that 82% of those polled found completing the statement “OK” or better, but concerning that 18% found it difficult. Perhaps issues around identifying transaction costs and considering value for money might explain this.



I have AVCs in my DB scheme so I must prepare a Chair's annual statement



Fact



Myth

“ Sackers' view

Although the DC code applies to AVCs, the legal requirement to produce a Chair's annual statement does not (provided they are the only DC benefits in the scheme). This can be confusing. It may explain why 30% of respondents mistakenly believe that a statement is required.



You can now transfer members to a Group Personal Pension Plan (GPPP) without getting their consent

36% fact

64% myth

“ Sackers' view

Most people realised that it's still not possible to transfer members to a GPPP without getting their consent, although the fact that 36% of our respondents thought you could highlights the complexity of this issue. But it needn't stop you from using your GPPP as part of the solution for consolidating your pension arrangements for actives and the deferreds you are in contact with.

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If you transfer people to a new fund, but tell them they can make a different choice, they've given their implied consent to the transfer



Fact



Myth

“ Sackers' view

We don't believe there is any such thing as implied consent in this context. If your investment consultant can't tell you it's appropriate to move members between funds without their consent, you need their actual consent. Get talking to your members!

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Have you carried out a review of the security of your scheme's DC assets?



45%

Already completed



41%

Expect to start in the future



14%

Review not currently planned

“ Sackers' view

It's reassuring to see that the majority of those polled have completed, or plan to start, a review of their DC assets. Even if a review has been completed, it's worth keeping asset security on the agenda as a point to monitor.

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Will your scheme's members find it helpful to read about the security of their DC assets?



25%

Yes



24%

No



51%

Maybe

“ Sackers' view

Perhaps unsurprisingly, most of those polled did not think their scheme's membership would find it helpful to read about the security of the scheme's DC assets. We recommend that schemes carefully consider how best to communicate this point to members, as it is a challenging message to get across.



Do you have any arrangements in place to monitor / review contract-based pension schemes e.g. a GPPP that you provide for your staff?



76%

Yes



9%

No



15%

In the pipeline

“ Sackers' view

It's good to see that the vast majority of participants in our survey are engaging with delegated pension provision and seeking to fill the "governance gap" as best they can.



The increase in minimum automatic enrolment contributions is being delayed from October 2017 until April 2018

65% fact

35% myth

“ Sackers' view

This change quietly became law on 1 October 2016 and is likely to be good news for the 35% who thought it might be a myth. We recommend all employers review their pension arrangements to make sure they tie in with the forthcoming escalation in minimum contributions.



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