



Workplace Savings

An Isio blog

Blog 7: January 2021

Would your DC pension scheme pass an annual MOT?

Who is this for? HR Directors, Pension Managers, Reward and Benefits Managers, DC governance Committees and Trustees

I'm the first to admit I know nothing about cars. But getting an annual MOT is an essential and legal requirement. Unfortunately for me, this falls in the untimely month of January when my liberal approach to spending at Christmas (and particularly after 2020!) is thrown into question. I hold my breath for the phone call from the garage to find out what keeping my car on the road will cost me.

Putting my car in for its MOT last week got me thinking: if your DC pension scheme had to undergo an annual MOT, would it pass?

Carrying out an MOT, or health check, of your DC pension arrangement is not (yet) mandatory. But regularly considering what you offer your employees or members could be crucial to ensuring their pension remains valued, fit for purpose and compliant. DWP's September 2020 consultation "*Improving outcomes for members of defined contribution pension schemes*" certainly indicated a regime of ongoing review and improvement for the future of occupational DC schemes.

1 in 4 vehicles still fail their MOT each year. 9% of all cars fail with a fault deemed as dangerous – making them illegal to drive away! I bet there are a large number of pension arrangements out there that would currently be deemed unroadworthy.

So with a rigorous annual assessment of "value for member", what would a DC pension scheme MOT look like?

- A comprehensive "wear and tear check" against each of the key features of a modern-day DC scheme, such as investment capabilities, governance, member communications and at retirement flexibilities?
- A "safety standard" comparison with the latest regulatory frameworks and expected future developments?
- And it must be carried out by an independent, expert "mechanic" with industry knowledge?

Armed with your list of "defects", you would be able to weigh up the cost of repair versus deciding that this is the year for an upgrade.

Whether you have a contract or trust-based arrangement, Isio have a team of DC experts who can help carry out an independent assessment of your pension arrangements. We draw on our provider insight to review your scheme against market best practice and consider whether it provides value for money for both members and sponsoring employers.

Claire Dunne is a Senior Consultant and Actuary at Isio.
claire.dunne@isio.com