



Workplace Savings

An Isio blog

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VfM – rethinking Value for Members

Who's this for: Trustees, Pensions Managers and Governance Committees

With new VfM requirements planned for October 2021, it's timely to consider what really constitutes 'Value for Members' in DC schemes.

Currently there's no prescribed format for assessing VfM. Indeed, in the Pensions Regulator's words "A scheme offers good value when the costs and charges provide good value in relation to the benefits and services they receive, when compared against other options available in the market." Whilst there is helpful guidance, it is down to each scheme to decide how to do the assessment and make a judgement call about whether the scheme is providing value for their members.

The ongoing consultation around improving member outcomes could make this even more critical from October. Proposals include requiring sub-£100m schemes to carry out a more stringent assessment, including a direct comparison against three larger schemes. If they cannot demonstrate VfM, schemes will either have to improve or wind-up and consolidate. So while regulators are upping the ante in the consolidation game, there's still no set rules for working out whether the scheme passes the test.

Putting costs and charges to one side (yes, they are important, but there's been enough focus on these in recent years), what does value for members look like?

Having worked on countless provider market reviews, there's a lot less to differentiate providers' propositions today compared to 5 years ago. Most now offer the basics of a full range of retirement and investment options (if you don't, you won't get a seat at the table, let alone have your dinner served!), video benefit statements, and a technology roadmap to get to the panacea of true personalisation of member comms (including moving beyond the confines of just pensions).

Whilst having all the 'bells and whistles' is an important part of the assessment (and a relative comparison will help here), they are not the end of the story. For me, the bit that's missing is whether the proposition leads to members engaging with the scheme and making decisions to suit their own circumstances. This means having a set of data indicators that monitor if and how members are engaging with different parts of the proposition, rather than relying solely the existence of product features. If we can get this bit right as well, then I think this will go a long way to ensuring schemes are proving value for their members in practice.

Get in touch if you'd like to find out more about what value for members means for your scheme.

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