



## **Value for Members tests**

Pension scheme self-assessment checklist

**March 2021**

# Determining the best option for your scheme

New pension regulations, requiring a new Value for Members (VfM) test of pension schemes, expected to apply from 6 October 2021.

Our checklist below is designed to help you determine the best course of action for your scheme.

<p>There are essentially two pathways to choose ahead of the 2021 Value for Members (VfM) tests on <u>trust</u> based defined contribution pension schemes:</p> <ol style="list-style-type: none"> <li>1. Continue - and make upgrades where necessary at each VfM test</li> <li>2. Transfer members and assets and wind up</li> </ol> <p>There are many more factors than can be covered here but the below might help you focus on the most likely long term pathway for you.</p>		
Checklist	Yes/No/Not sure?	Suggestions
<p>For each of your trust based schemes...</p> <p>is the scheme still actively taking <b>current employees' contributions</b>?</p>		<p>If <b>'Yes'</b>, both pathways could apply. An early Pre-test would help you assess the costs of maintaining 'large scheme' VfM standards?</p> <p>If <b>'No'</b>, replace and transfer maybe your preferred pathway.</p> <p>If <b>'Not sure'</b>, your preferred pathway may depend on how much your current scheme is part of your future reward strategy.</p>
<p>Is the <b>split</b> of total <b>running costs</b>...</p> <p>...<b>between current and ex-employees</b>...</p> <p>... acceptable?</p>		<p>If <b>'Yes'</b>, both pathways could apply but your preference may change over time.</p> <p>If <b>'No'</b>, a feasibility study to review your pathway options should help you choose and recover the right balance.</p> <p>If <b>'Not sure'</b>, check out how much of your future pension spending will be on past employees and whether this affects your future commitment to the scheme.</p>

<p>Have you <b>recently</b> checked that your scheme compares favourably with larger schemes, on <b>charges and returns</b>?</p>		<p>If <b>'Yes'</b>, continuing, may be your initial pathway choice, if you are committed to matching future large scheme offerings.</p> <p>If <b>'No'</b> or <b>'Not sure'</b>, transfer and wind up will be the default pathway for if you don't meet the 2021 large scheme VfM test but get an early pre-test done to assess this likelihood.</p>
<p>Have you carried out a recent <b>cost/benefit analysis</b> ...comparing continuing vs wind up?</p>		<p>If <b>'Yes'</b>, if you concluded wind up was the better long term option, consider implementing it before 2021 VfM adds further potential costs. If continuing was better, revisit cost forecasts to gauge possible upgrade requirements before you choose your pathway.</p> <p>If <b>'No'</b> or <b>'Not sure'</b>, a feasibility study would help you compare the two possible forecasts in light of the new VfM requirements.</p>
<p>Is it important you <b>retain control</b> over... ... <b>the investment choices</b> you offer and ... how <b>scheme information is communicated</b>?</p>		<p>If <b>'Yes'</b>, continuing may be preferable but an early VfM Pre-test should help estimate your required future commitment and;</p> <p>If <b>'Not sure'</b>, decide what you do and don't want to control as employer, and that will help you choose your pathway.</p> <p>If <b>'No'</b>, transfer and wind up may be better and an early look at the alternatives would help you plan your pathway better.</p>
<p>Are you prepared to <b>continue supporting</b> the existing scheme... ... <b>even if it costs more</b> to match larger scheme alternatives?</p>		<p>If <b>'Yes'</b> continuing the scheme maybe Plan A, but agreeing limits on any additional costs and sharing those early on with your trustees, makes sense.</p> <p>If <b>'Not sure'</b> 2021 VfM outcomes may well result in higher costs so get these forecasted before choosing your pathway preference.</p> <p>If <b>'No'</b> unless you know your scheme would meet the 2021 VfM test, get more information on the transfer and wind up pathway.</p>
<p>You have <b>guarantees and special features</b> ... which <b>can't be replicated</b> by an alternative.</p>		<p>If <b>'Yes'</b>, continuation may be Plan A however your trustees will still need to assess these features, recognise costs and restrictions and test against larger schemes returns.</p> <p>If <b>'No'</b>, other factors will determine your preferred pathway.</p> <p>If <b>'Not sure'</b>, find out as these may be reasons you will want to continue the scheme.</p>

<p>On a scale of <b>1 to 5</b> how determined would you be to retain your existing scheme?</p> <p><b>1</b> = Keen to transfer and wind up</p> <p><b>2</b> = Suspect we will transfer and wind up</p> <p><b>3</b> = Undecided</p> <p><b>4</b> = Prefer to continue our scheme but need to know more</p> <p><b>5</b> = Keen to continue our scheme</p>	<ol style="list-style-type: none"> <li><b>1</b> Start your new provider search and journey to wind up sooner rather than later</li> <li><b>2</b> Test reasons not to wind up but start search for new provider soon</li> <li><b>3</b> Feasibility study on all pathways should help you</li> <li><b>4</b> Pre-test VfM to establish possible VfM gaps if continuing pathway is preferred</li> <li><b>5</b> Pre-test and engage with trustees on how you can support them to maintain high VfM</li> </ol>
<p>Whatever your choice it makes sense to establish costs and outline plans on likely pathways, well in advance of the 2021 VfM requirements coming into force.</p> <p><a href="#">Broadstone Corporate Benefits</a> can assist you in finding identify the best pathway offers a full range of independently delivered services from 2021 VfM pre-tests, initial feasibility plans, supporting upgrades to existing scheme governance and Value for Money, to new provider or comparator selection, managing transitions and implementing wind ups.</p> <p><a href="#">Contact us</a> for an initial conversation on your particular circumstances.</p>	

