

Don't forget your members on your journey to buyout

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Now this may seem like a pointless headline – after all, the member is what pension schemes are about, but when a transaction comes into sight and everyone is speeding to get it over the line, things can be rushed, and in the melee, some things can be overlooked, including the impact on members.

- **A buy-out endgame requires careful engagement with your membership**
- **You will need to actively engage members to fill in certain data gaps, such as spouse's information, which will wake them up, and may lead to other queries and engagement – be ready to manage any additional work that could arise**
- **Communications about the transaction itself, or other benefit changes, may be perceived by members as delivering bad news or providing information that may unsettle them**
- **As well as meeting statutory requirements they need to be warm in tone, clear in messaging and have clear points of contact**
- **Be prepared for suspicion when contacting members who have not been in contact for many years**
- **Ensure you have the resources available across a number of different media to deal promptly with queries**
- **Be prepared for the unexpected!**

Many people will agree that having benefits bought out with an insurer is the best thing for members. The risk of sponsor default goes, there are no longer worries about covenant, member protections are in place and trustees discharge their duties to secure benefits. Everything seems rosy and all are set fair for a steady future. But whilst these decisions are taken with the members in mind, it's vital that you bring them along with you on the journey. And that may not be as easy as it seems.

In reality this is a significant change for members. Their pension is going from being provided by an organisation that they know and, in many cases, have a very long-standing relationship with – after all, they worked for the organisation for a number of, and in some cases, many years and this is being replaced by the promise of payment from an anonymous to them and largely unknown, organisation. A cosy and familiar relationship will now be very much unfamiliar and corporate, and their needs will be tended to by unknown people. There will inevitably be some unease at this change.



Members are usually traced, contacted and asked to confirm their details including marital status and any spouse details. You also need to advertise about any wind up of a scheme in the press and that can bring people out of the woodwork. In the current era of members being wary of increasingly sophisticated scams, contacting members out of the blue has the potential to cause alarm, or even just be ignored. Thinking about it, being contacted on behalf of an employer you may have broken ties with decades ago to be told that you have benefits there may feel a bit ‘too good to be true’.

There are also potential impacts to the benefits the members have. Transaction exercises mean that data needs to be in as good a state as possible and that usually means cleansing exercises, the preparation of a benefit specification and so forth. Invariably there will be things that come to light – be they anomalies in how certain members or categories of members have been treated or mismatches between the rules of the scheme and the administration practices in place. These will either need to be rectified or codified. Regardless, this will come at a cost, including legal fees and, if changes are to be codified, they will have an impact on liabilities and therefore premiums. If benefits need to be corrected, that of course needs to be explained to the members affected, even if no corrective action is being taken.

Another area that requires consideration is around the benefits already in place. Some arrangements allow for some element of discretionary increase and these often fall away when they are bought out. Even if these have not been paid for some years, the members still have an expectation that these will be considered or requested each year. If this element of discretion is being removed as part of the endgame, this will need to be communicated to the membership. How you communicate it will be a key element of how it is received by the membership.

Finally, be prepared for the unexpected. In these situations you are dealing with people and you can never predict how they will react. As mentioned earlier, some will be unhappy at the endgame process and the severing of the link with the old employer. Others may well see their benefits changed or the prospect of future discretions being removed. Regardless of the situation they need to be carefully, clearly and succinctly communicated with and any queries they may have responded to promptly. Some members may go as far as triggering the formal Internal Disputes Resolution Procedure and the different stages it contains. You may also find that they communicate among themselves and encourage other members’ involvement. Irrespective of the number of queries you receive, they will take time, energy and people to respond to them, which only increases if cases end up at the Pensions Ombudsman or even if the members go to the press. All of this can have a substantial knock-on effect – not just to the timetable for endgame but also reputationally. It is therefore vital to think about this as early as possible in the planning process and to continually keep your timetable and review and refine it, and your project plan on an ongoing basis.

As I said at the start of this article, to say ‘don’t forget your members’ may seem a pointless headline, but in reality, by keeping them at the heart of the endgame process and by continually thinking about how things will be perceived by them can help you in both the short and longer term by ensuring that your project runs to time, to budget and with reputations intact.

Want to know more?

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