

A Covid-19 checklist for DC Schemes

1 April 2020



Rona Train
Partner

In unprecedented times like these, the role of a DC trustee or governance committee member is vital in protecting the interests of their DC members. Along with their advisers, providers and administrators there are a whole range of things that need to be considered. I've outlined just some of the questions that should be considered in each of the main areas of effective scheme management, namely scheme governance, administration, investment and member communications. Every DC scheme is different so treat this like a checklist to identify where you may need some extra attention or support.

Scheme Governance

These are extraordinary and challenging times and understanding how you can continue operating and making decisions throughout is essential. For example, do you have a Deputy Chair if the Chair is sick? What are your quorum rules, and should you be considering creating a Covid-19 quick response sub-committee?

Does everyone know what jobs others normally do and is there an up to date contact list for all the relevant parties, including the administrator and adviser?

How robust is the Board in making decisions in these difficult times and how will you hold online meetings (particularly for retired trustees who might not have the same technology available as those still working).

If the company is in a weak financial position, should the Trustees be asking for money at this stage to be paid, for example, into an escrow account which could fund the cost of the wind up of the scheme in the event of the insolvency of the employer (as otherwise, the costs would come out of member pots)?


Administration

It's essential that smooth pension scheme administration continues to happen throughout the crisis. By ensuring you have a detailed understanding of how each process is undertaken by your administrators, you'll be well placed to understand where any pinch points might come and how you can keep your members updated on this.

Who at the company pays the monthly contributions across to the administrator? Is there cover in the case of illness, particularly if there are multiple payrolls?

Is the process for paying UFPLS out of the scheme (if relevant) robust in a more challenged administration environment?

Is your administrator still answering member queries by phone or have they switched to email only? If so, what implications does this have for your internal pensions team given the probability of increased member queries?



What happens to member documents (e.g. passports) that are already in the post if the administrators are not operating from their normal premises?

What are the implications for lifestyle switches? Are these still going ahead and does your administrator carry out "reverse" switching?

What messages are your administrators giving to your members when they phone up? This is particularly relevant for people who are seeking to take a large part of their pension money out. How, and how often, will they report back to you on what type of enquiries they are getting from your members (to allow you to potentially consider internal communications to stave off some of these)?

How are they (or you) alerting members to the increasing number of scams that are out there on pensions, exploiting the uncertainties people are feeling around the coronavirus?

How are they dealing with (particularly older) members who may have lost their jobs or been put on reduced hours and may be looking to access their pension to make up the lost income?

And how are your administrators dealing with people who are directly impacted by the virus? Normally admin team have specialists who deal with vulnerable and bereaved customers, but with a big uptick in deaths, they may find that more people from their teams are having to deal with distressed people.

Investment

We've seen a period of massive volatility in investment markets and it's important that you understand the impact on your members at different stages of their careers.

How have members been impacted by the falls in markets and how should you be communicating with different cohorts of members? How can you take all the jargon out of investment communications to give people comfort, given they will no doubt have seen on the news about falls in markets?

Have the much-maligned Diversified Growth Funds done their job of protecting the value of members benefits in more challenging investment conditions?

What impact will the recent falls have had in terms of projected pension outcomes for members at different stages of their careers?

What messaging should you be giving to members who received a retirement quote a month ago and are now seeing a much lower figure in reality? What support can the company give to members who now may not be able to afford to retire given the falls in markets?

Do you have any members in property funds which have "gated"? If so, how old are they and how is your provider dealing with dis-investments for members who are retiring (if at all!). Where are contributions being invested in the meantime and what are members being told about this?

How is your provider dealing with the situation if you have property in your default arrangement?

Do you offer members any other funds that may be vulnerable to short term dealing restrictions (e.g. smaller company funds)? If so, what messaging are you and/or your provider giving your members on this?

Should you be making members aware that returns after fees on cash funds are now likely to be negative after the fall in base rates to 0.1%?

Should you be putting any changes of strategy that are in the pipeline on hold for now as there are additional risks in this at the moment (e.g. in relation to bigger spreads on funds and out of market risk)?



Communications

Getting the right messaging out to your members is vital in uncertain times like these.

How can you make sure any member communications you are sending out are dovetailing with any messaging from the company?

What forms of communication will work best in the new “work from home” environment?

What do you need to be doing as additional communications over and above those your provider is giving (given the scope for scheme specific communications will be very limited at this time)?

How can you ensure that you use the right tone of voice at a time when members may be directly impacted, either from a health or financial point of view, by the virus? And how can you avoid scare stories going around your organisation in relation to pensions at this time?

These are just a few of the many questions trustee bodies and governance committees should be asking themselves and their service providers at this time. It’s a challenging time for all of us. But getting things right now will allow you and your members to come out of this situation in a strong position to build for the future.