

REASONS TO RESTRUCTURE THE COMPANY PENSION SCHEME EXAMPLE FOR ILLUSTRATION PURPOSES ONLY

This document applies to occupational money purchase pension schemes and it offers suggestions based on a real case. If you have a defined benefit scheme, stakeholder or group personal pension scheme please contact us for further information about the possible benefits of reviewing your scheme.

Case Study

Our client ran 2 occupational pension schemes. One pension scheme was looked after by our firm on a commission only basis. It was set up in the early 1990's and as such was no longer competitively priced for the employees compared to more modern schemes available.

The second pension scheme had a large number of members many of which had left employment. The pension scheme was looked after by a HR and consultancy firm who were charging fees in excess of £40,000 per year but provided no advice to the individual members.

Brief

To reduce the administration fees

To consolidate and simplify the pension schemes

The members should be no worse off because of the changes

Implementation

Start a new group personal pension plan for all members. Different members had different benefits according to length of service and this can be accommodated by an on-line schedule and direct debit mandate.

Provide seminars for employees to explain the reasons for the changes and assist with completing a data protection declaration form.

Face to face training for the payroll department to use the new system

Close the existing pension schemes

Potential Advantages for the employer

- All fees quashed and payment for the administration derived from commission from the new scheme and securing benefits for the members of the closed schemes.
- No future trustees responsibilities for current and deferred members
- Simplified administration
- Employees have access to on line valuations and an independent financial adviser reducing the strain on the employer and member nominated trustees
- No accounts required
- Annual statements sent direct to members
- Face to face meetings and advice provided to new eligible members
- Annual reviews/ seminar offered to members

Advantages for the employees

- Lower charged pension scheme
- Wider fund choice
- Better and quicker access to information
- Access to an independent financial adviser, annual reviews or seminars

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