UK Defined Contribution Pension Survey 2020

How do you measure up?

For professional clients only

AON
Empower Results®

Could delegation help?

SECTION 2

Weigh up your options

Time to focus

The options for DC scheme structures are wide-ranging. Not only does a decision need to be made on the overall structure of your scheme, but also on who is responsible for the day-to-day tasks such as administration and investment.

We asked those running DC schemes whether they are comfortable with the amount of time they are spending on DC. We found that fewer people are at ease compared to our 2017 survey, particularly those running contract-based schemes where 41% said they are not happy with the amount of time they are spending on their DC plan.

This section considers the different types of DC pension structure, and options available to delegate more to focus on the areas that matter to you.

50%

increase in the numbers not reviewing their DC provider in last three years

1 in 3

Trust-based plans expect to move to a master trust within five years

2 in 3

want to spend more time on their communications

Aon has been working with a number of trustee boards and employers, helping them to become more strategic and effective.

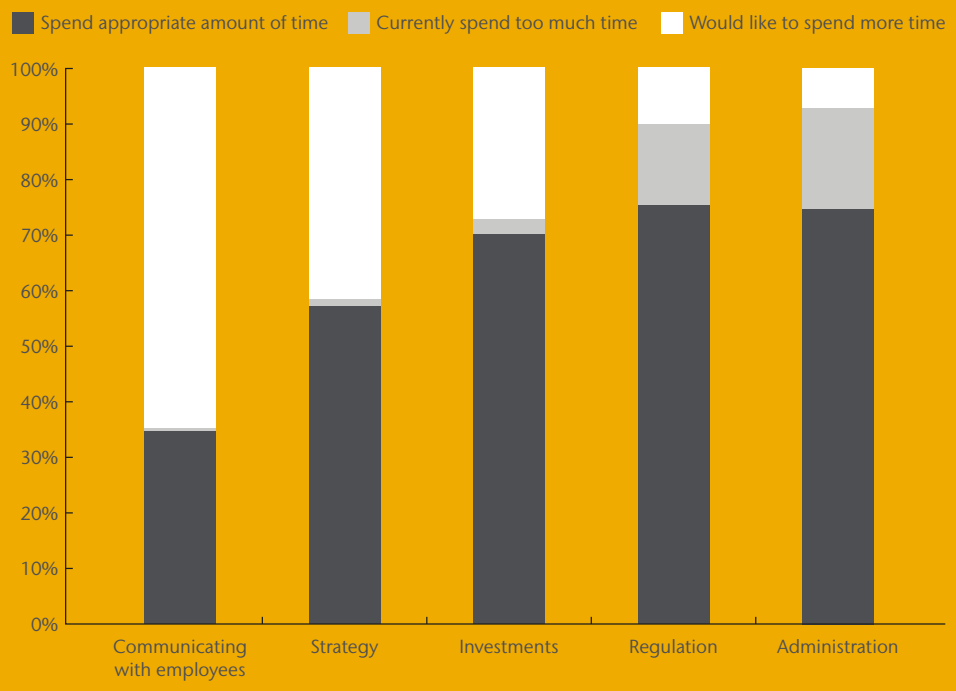
Find out more

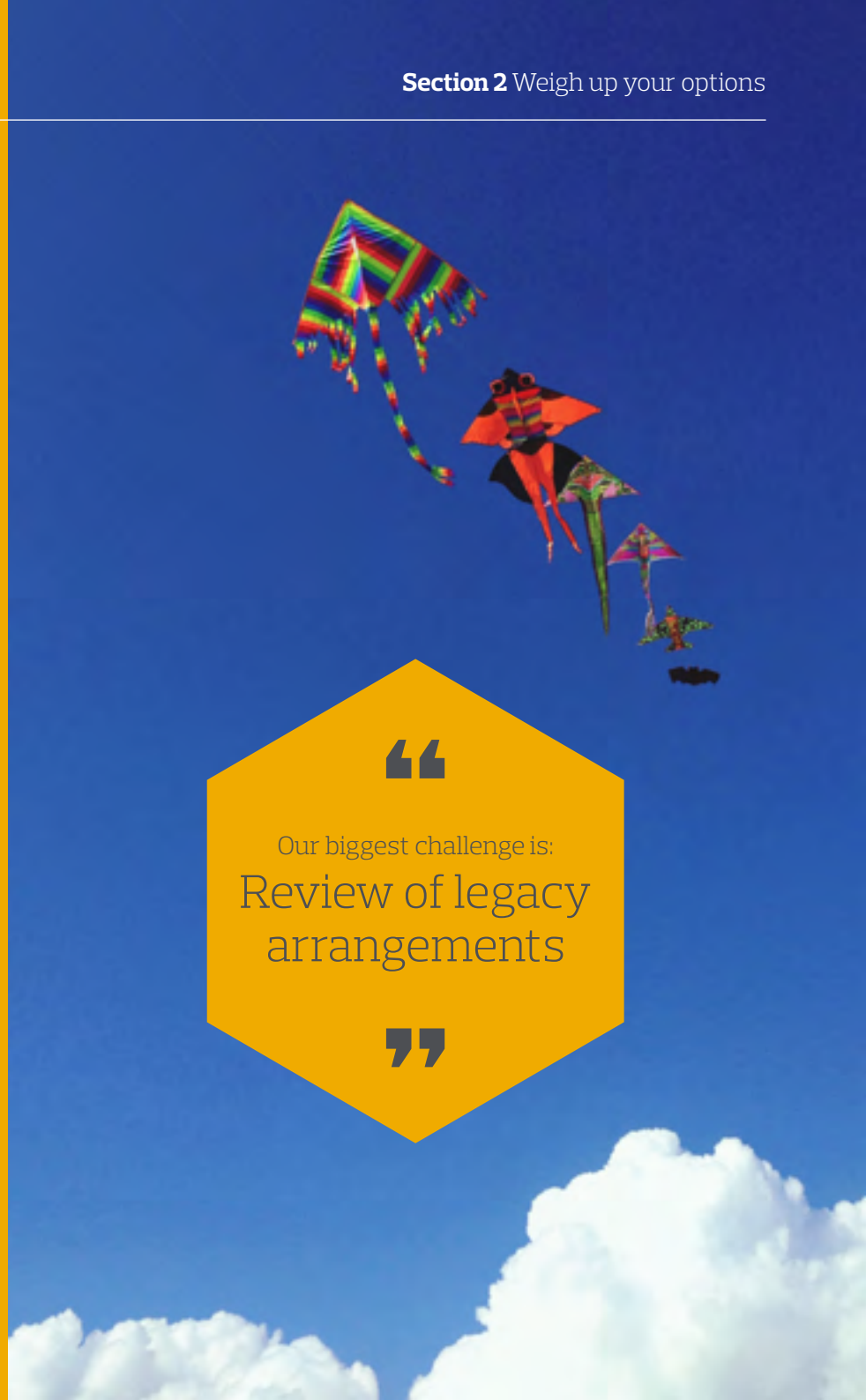
Q. How happy are you with the amount of time you spend in the following areas?

Almost 65% of respondents wanted to spend more time communicating with employees on DC pensions, and those in contract-based or trust-based schemes also wanted to spend more time on strategy.

It is important that those running schemes have the right scheme structure and resources in place, especially given the increasing levels of regulatory oversight. Schemes should consider a structure that gives them the time they need to focus on their priority areas.

Amount of time spent in the following areas





> Our biggest challenge is:
> Review of legacy arrangements

Future DC structures

Our results this year show a continuation of the trend from 2017. Respondents expect there to be a significant move towards master trusts in the coming years. Around a third of those currently running their own trust-based schemes expect to move to master trusts in the next five years. This trend is even more pronounced in bundled schemes, which could be because this would be a less significant change to the current structure than for unbundled schemes.

For trust-based schemes, the governance requirements and the time and resources required to run the scheme are the key triggers for a discussion regarding whether the current structure remains appropriate. On the other hand, for contract-based schemes, the triggers are slightly different, with the main considerations being that other structures may give better outcomes and improved governance. Given the level of delegation in a contract-based scheme compared to a trust-based scheme, this is perhaps unsurprising.

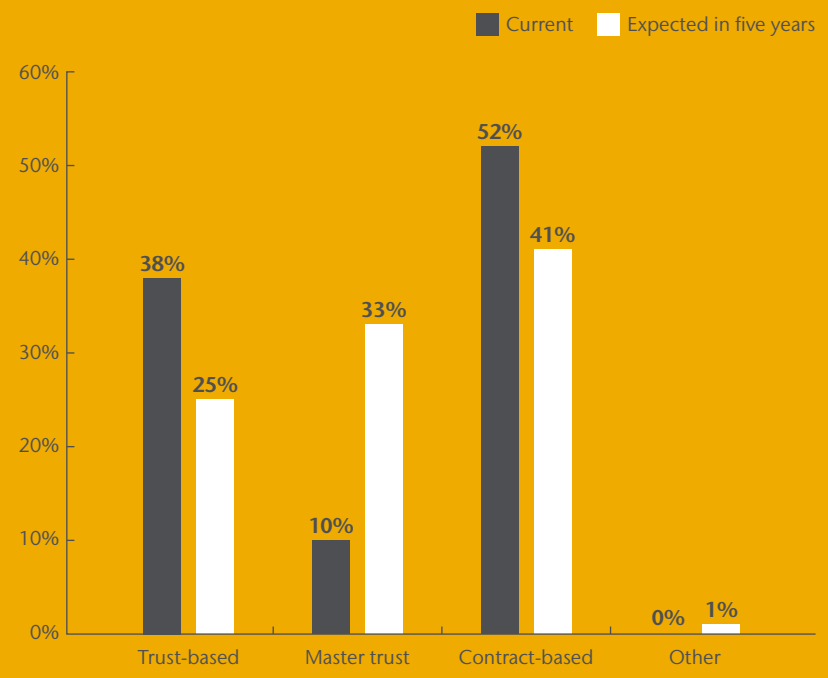
Jargon buster

Bundled trust-based scheme – one provider delivers administration, communication and investments.

Unbundled trust-based scheme – different providers are used for administration and investments.

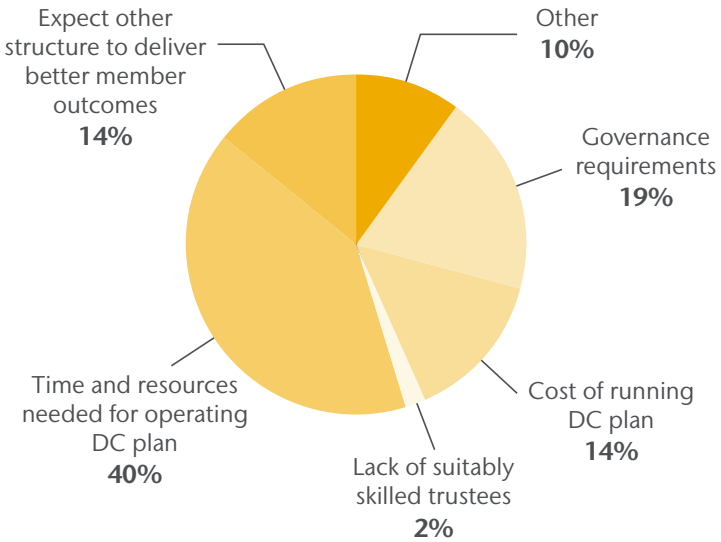
Q. What type of pension plan do you use to provide your main DC benefits? What would you expect it to be in five years' time?

2019 – Current vs. Expected in five years

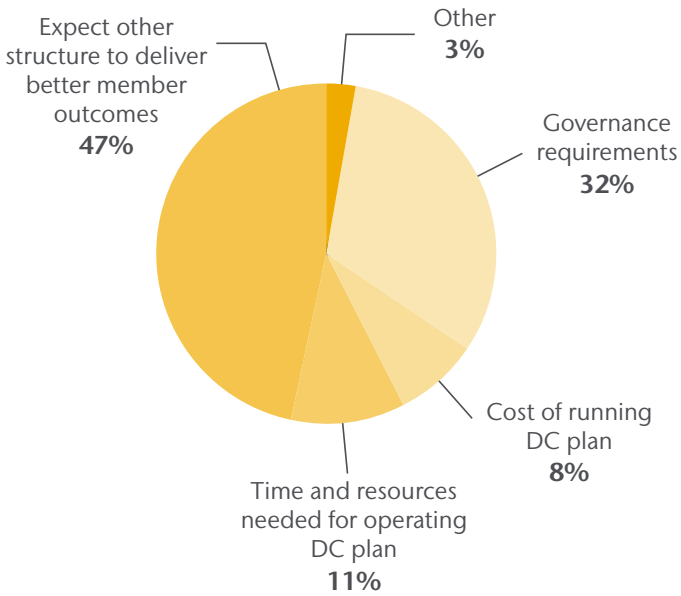


Reasons for moving from current governance structure

Currently trust-based



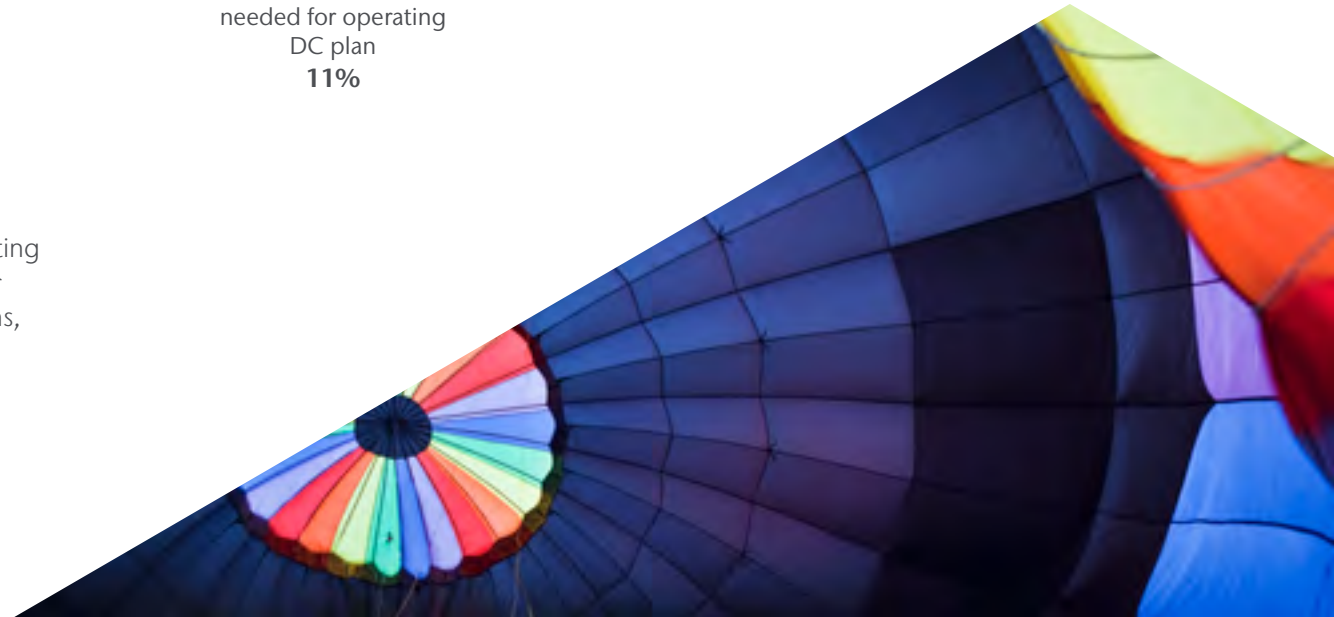
Currently contract-based



> Our biggest challenge is:
> Managing increased cost due to governance requirements

Aon's DC solutions

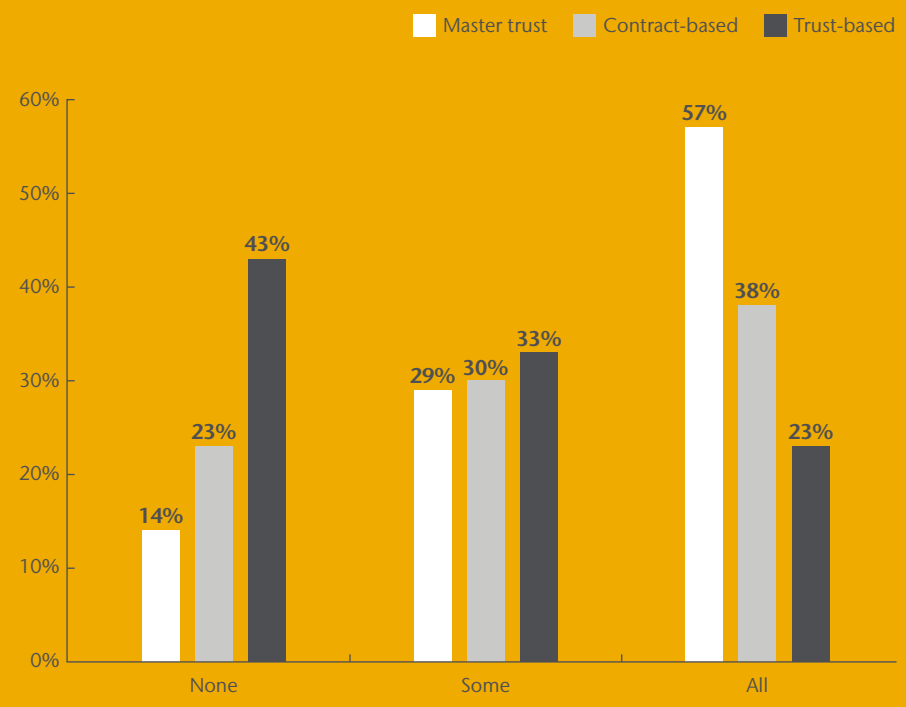
Aon can help with the full range of DC pension options – from consulting services and our delegated investment-only and bundled solutions for occupational trust-based schemes, through to our standalone solutions, The Aon MasterTrust and BigBlue Touch (Aon's GPP).



Delegating roles

One method to free up time for those running DC schemes is to delegate responsibility to third parties, for example the administration or investment. We found that over a third do not delegate any investment decision-making responsibility to a third-party investment professional, with this being four times more likely for a trust-based arrangement compared to a master trust. However, one in six trust-based schemes expect to delegate more over the next three years.

How much responsibility is delegated to third-party investment professionals?



1/3

do not delegate any responsibility to a third-party investment professional

"Our biggest challenge is: Keeping up with governance and changes in compliance"

Aon point of view

Those responsible for pension schemes should regularly review whether their current operating model meets their objectives and delivers the best possible outcomes for their members. We expect the trend towards more delegation to continue, either through moving to a master trust structure, or by delegating specific functions like administration or investment. This will allow those running DC plans to free up more time to focus on the areas they want, such as strategy and member communications.

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