

# THE 'D' WORD: DECUMULATION CHOICES FOR SCHEME MEMBERS

## SPEAKERS

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*(Permission to circulate slides not given)*

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# **PENSION FLEXIBILITIES: AN EMPLOYER'S PERSPECTIVE**

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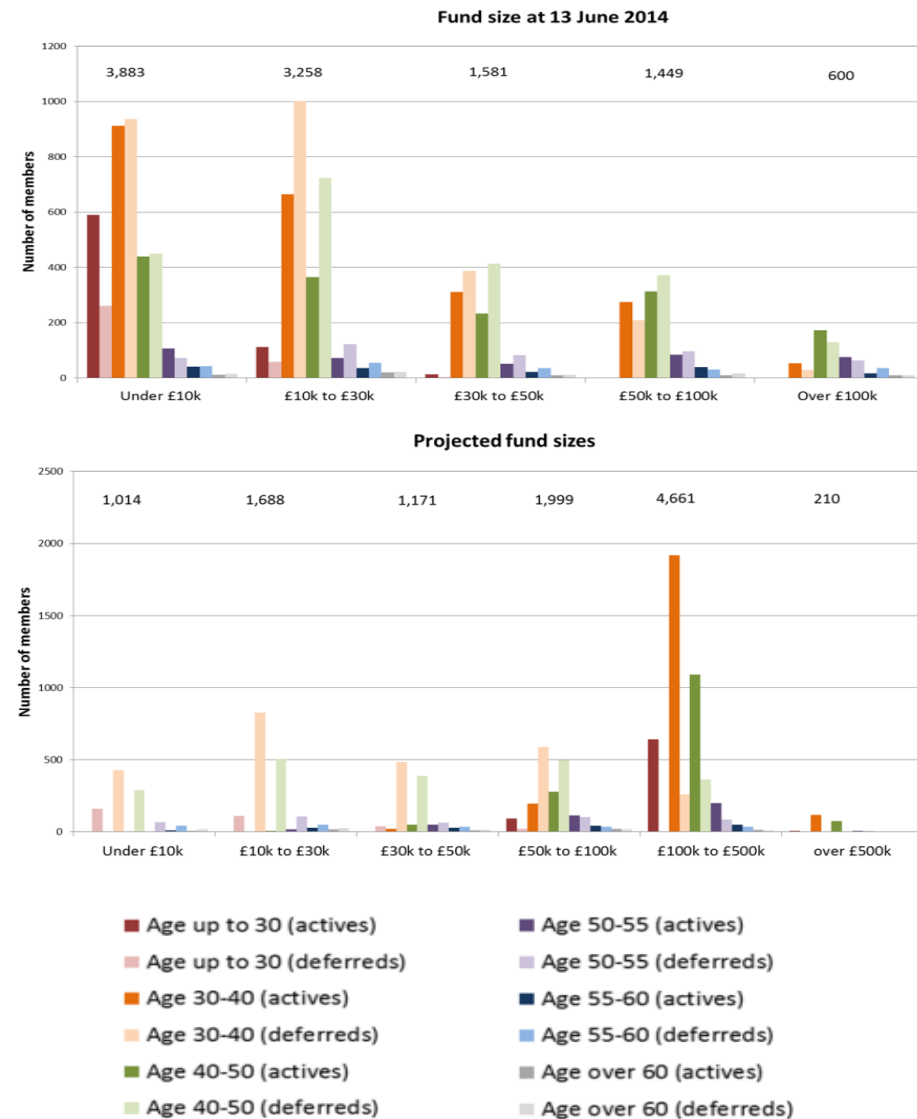
- ▶ c.5,000 active members, c.6,000 deferred members
- ▶ Unbundled arrangement, with third party administrator and investment-only platform
- ▶ 18 investment funds offered
- ▶ Choice of lifestyle profiles depending on attitude to risk in the growth phase



REUTERS/Darren Staples

# MEMBERSHIP POT ANALYSIS

- ▶ **High-level analysis conducted aimed at grouping the Plan's membership according to their likely retirement preferences**
- ▶ E.g. do we expect members to retire with small pots or will large pots be the norm?
- ▶ **Projected members' pot sizes forward to their currently targeted retirement date**
- ▶ Allowed for expected investment returns and assumptions regarding future contributions
- ▶ **Concluded that significant proportion of members may want to opt for drawdown**
- ▶ Membership analysis will be carried out periodically going forward



# POST-BUDGET DC SCHEME DESIGN

## Alignment with Company's culture and values

### Purpose

- ▶ We are trusted for the decisions that matter most, empowering customers to act with confidence in a complex world

### Values

- ▶ Trust, Partnership, Innovation, Performance

## Thomson Reuters considered how to incorporate the new pension freedoms for maximum employee advantage in light of the above

- ✓ Offer drawdown within the Plan
- ✗ Considered preferred provider route



# BENEFITS TO MEMBERS

In-plan  
flexi-access  
drawdown facility

on simple and  
straightforward basis

1. **Cost** – more cost effective for members to remain in the scheme than transfer out into a retail arrangement
2. **Continuity** – long-term strategy planning aided by continued investment in institutional funds
3. **Convenience** – to take advantage of the new flexibilities without the need to transfer out

# DRAWDOWN CHALLENGES

- × **Administrative complexity**

- ✓ This should not constrain innovative plan design

- × **Cost**

- ✓ Cost to members will be less via an in-plan facility

- × **Continued paternalism towards members**

- ✓ Extending the relationship is not a bad thing – the risk of members running out of money is manageable

- × **Fiduciary fear**

- ✓ TPR supports light-touch disclosure/regulatory regime for occupational trusts

# INVESTMENT STRATEGY DISCUSSIONS

**Market will develop rapidly over the coming years and the agreed strategy needs to acknowledge this**

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## Fit for purpose

- ▶ No desire to increase the number of investment funds whilst ensuring investment options are compatible with the new flexibilities

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## Future-proofing

- ▶ Expect funds used in certain elements of the structure to change over the next year due to product innovation
- ▶ Use white-labelled and blended funds to minimise impact of change

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## Challenges

- ▶ Compatibility with administration systems
- ▶ Consider whether to re-risk members already lifestyling towards annuity purchase
- ▶ Communication messages for members in different stages of the investment journey

# EDUCATION STRATEGY

- ▶ Company and Trustee agreed that the flexibilities cannot be offered without a comprehensive education strategy to accompany the options
- ▶ All active members reaching their 50th Birthday are invited to attend a financial education seminar followed by an optional 121 session
- ▶ For younger members, an on-line modeller is available that allows new option modelling
- ▶ Closer to retirement a more in depth pre-retirement seminar will be offered
- ▶ Members will be provided with a report before deciding to use IFA services

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