

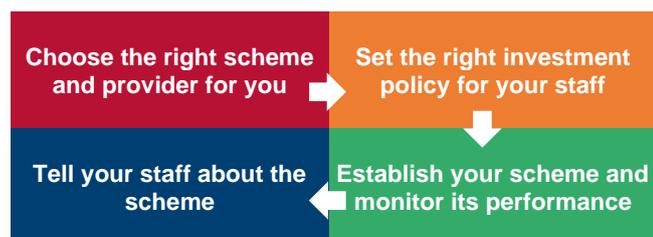
## Independent schools pensions briefing, Quarter 3 2020

### Selecting a Defined Contribution scheme

For independent schools that have decided to leave the TPS, the choice of a new Defined Contribution (DC) scheme is a key decision. This briefing looks at the process and some of the key considerations involved in selecting a new DC pension provider.

#### Selecting a new DC scheme

We think it is helpful to consider the selection process in four stages:



#### Aviva Pension Trust for Independent Schools (APTIS)

We are sure that most schools considering alternative pension scheme options will have now heard about APTIS – a scheme established by Aviva with input from the ISBA.

The latest figures from Aviva suggest that it is attracting a healthy share of the market and, from speaking to schools, it's clear to us that many view it as the 'default' option, although the ISBA has been at pains to point out that this is not the case.

However as more schools have started to look at their provision, other providers have turned their attention to the potential market for new business – with 'tailored' solutions being devised for independent schools.

These new providers have introduced welcome competition, with one possible outcome being the recent announcement that APTIS is reducing its charges to maintain market share.

#### Is APTIS always the answer?

Aviva has undoubtedly brought a strong proposition to market for the independent school sector, with competitive standard pricing and materials, and attaching additional benefits (such as life assurance) for schools. But although we think highly of both Aviva and the APTIS proposition, we don't think it should be seen as the 'default' solution.

While we believe APTIS offers a good benchmark solution, we do not see it as the right fit for all. It's vital for schools to consider their own circumstances and longer-term pension objectives before looking at the wider market.

#### What alternative DC schemes are available?

The past year has seen the development of competitively-priced products aimed at the independent school sector, as well as the overall workplace pensions market.

Some providers are offering master trust schemes, with sections being created for independent schools, while others are offering group personal pensions. These arrangements are not the same – they can be established under different tax regimes, carry varying charging structures and offer different investment fund ranges and options.

There is a wide range of DC providers available, and it's important to establish which are unsuitable as well as those worthy of further consideration. Employers often stay with providers for many years, so it's essential to spend time choosing the right provider for your organisation, taking into account both current and potential future requirements.

### What is important when selecting a DC scheme?

Any school, once it has concluded that leaving the TPS or offering a DC option is the right course of action, needs to undertake a considerable amount of preparatory work and due diligence ahead of employee consultation. First Actuarial researches the full DC market and assesses each provider in the following nine areas:

- 1) Provider strength and commitment to market
- 2) Costs and charges
- 3) Investment default fund
- 4) Investment choices
- 5) At-retirement options
- 6) Communications
- 7) Member support
- 8) Employer support
- 9) Governance

Your school's priorities will depend on its circumstances and new pensions strategy. And the terms you are offered by the provider will depend on your membership profile and proposed contribution structure.

While past investment performance may be no indicator of the future, it is something teachers are likely to want to know. We can help you analyse the past performance of each provider.

### Don't forget to consider your current schemes

A consideration, sometimes overlooked, is that many schools will already offer a DC scheme to their support staff. While the contributions available may be different, it may well be possible to use the existing scheme for future provision. Alternatively, it may be possible to move the support staff into any new scheme established for the teaching staff, reducing the administration work for the school and getting better terms for staff. We sometimes find that a school has not reviewed its provider for a number of years, so we would always suggest that schools review their existing provider.

Any harmonisation doesn't need to be carried out immediately, as the priority will clearly be the new pension provider for teachers. However, we feel it's important to take a holistic view of your provision and identify a clear goal for the medium term – this can provide some real benefits for both school and staff.

### The importance of planning

As with any change project, planning is key. Proposing to leave the TPS without a well-documented, robust and transparent business case is likely to cause difficulties.

The type and design of a replacement scheme is an important decision. Ensuring that all options have been considered will help clarify the viable options available to the school prior to engaging with teaching staff.

### Monitoring

Once you have selected your provider and your change project is complete, it is best practice to set up a governance process to monitor the performance of your provider. Typically, we would suggest presenting an annual monitoring report to the finance committee.

### How First Actuarial can help

First Actuarial is a nationwide firm of pensions actuaries and consultants, helping independent schools with all their pensions issues.

We help schools with all aspects of DC provision, including design, provider selection, communication and ongoing oversight. Just as importantly, this is what we don't do:

We don't charge commission

We have no in-house master trust to promote

We're not an IFA – we won't sell services to your members

We don't cross-sell or upsell at every opportunity

We have no middleware to peddle

We're not dogmatic – our approach is flexible and practical.

If you would like to discuss any of the areas explored in this briefing, please contact your usual First Actuarial consultant or any of the lead consultants in our independent schools team or DC consultancy team.

[www.firstactuarial.co.uk/contact-us/](http://www.firstactuarial.co.uk/contact-us/)

Find out more about [our services for independent schools](#).

[Sign up here](#) for our regular briefings.