



Pensions Life Hack by Alexandra Heggie

Benefit Specifications – How Far Back Should We Go?

What Is the Issue?

For pension scheme trustees who are planning a bulk annuity purchase, a key task will be preparing and reviewing a benefit specification. This is a summary document describing the key elements of the scheme's benefit structure.

This is a significant task, and important decisions need to be made on the scope of the project, and, in particular, whether all of the scheme's past trust deeds need to be considered.

Do We Really Need To Look Into the Scheme's Entire History?

Pension scheme rules are typically stated to apply only to members who were in pensionable service when the deed was signed (or the earlier point when the scheme was closed to accrual). The benefit structure for earlier leavers is set out in previous versions of the rules. A review of the current rules alone will cost less in the short term but could be more costly in the long run if issues in the historical documents that apply to older deferred members/pensioners are missed.

Multiple benefit categories, a history of bulk transfers/scheme mergers and/or major past amendments to the benefit structure are all potential signals that the older documents need to be considered in order to get the full picture.

However, a less detailed review may be appropriate in certain circumstances.

Lessons Learned

Speak to your legal advisers in order to understand the options available (and the likely costs) so you can take an informed view based upon your specific scheme circumstances.

You do not need to wait until you are ready for buy-in! Carrying out a benefit specification review is a helpful way to identify any issues so that they can be addressed as early as possible. It will also refresh trustees' knowledge and understanding of their scheme's rules, in line with The Pensions Regulator's expectations.

Top Tips

1. The purpose of the document and scheme history will be a useful guide to the scope of the project.
2. Before work begins, check whether any important scheme documents are missing.
3. Ensure your project plan allows enough time for the benefit specification to be prepared by the scheme administrators and reviewed by your legal advisers, and then for any queries to be addressed.