



MGI360

EMPOWERING FUTURES, TOGETHER

PENSION SCHEME HEALTH CHECK

Points to consider when
assessing value for
money in your workplace
pension scheme

HOW DO YOU ENSURE YOUR WORKPLACE PENSION SCHEME IS WELL MANAGED?



Businesses often review several key areas with a view of cutting costs and improving efficiency, such as insurance premiums, energy bills, office space and rent, staff costs, technology and software subscriptions and marketing. One area that is often overlooked is the pension scheme.

Outside of payroll, pension contributions are the biggest cost to a business. When was the last time your pension scheme was reviewed?

A good workplace pension arrangement needs to demonstrate value for money for you as an employer, as well as for your employees. And crucially, they must be compliant with complex and rapidly changing pensions legislation and rules.

Pension schemes are not only a statutory obligation but an invaluable part of the employer proposition to staff.

This guide explores features you should consider checking, to ensure your current pension scheme is fit for purpose for both you and your staff.



GOVERNANCE

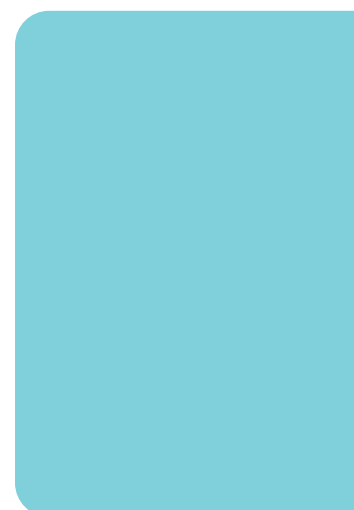


Effective governance is central to ensuring a pension scheme operates effectively. Governance involves setting up robust systems and processes that oversee the entire pension plan. A pension audit is an excellent start for assessing the current governance structure and identifying potential improvements.

A thorough plan review can reveal weaknesses or inefficiencies, allowing you to implement the necessary changes that keep the scheme on track. Strong governance will also ensure compliance with laws and regulations, safeguarding the scheme against potential fines.

Points to consider :-

- Do you know if pension contributions have been paid to the provider on time?
- Did any members get enrolled to the scheme outside of the relevant timescale?
- Do you know how many pension members have completed their death benefit nomination?
- Are you aware of any member complaints made to the pension provider?
- Were annual statements produced on time?
- Was the Declaration of Compliance completed in the relevant timeframe?



TAX EFFICIENCY



Tax efficiency is crucial in making the most of a workplace pension scheme. Salary exchange (also known as salary sacrifice) is a simple, tax-efficient arrangement where an employee agrees to give up a portion of their gross salary in return for a non-cash benefit — most commonly an increased pension contribution.

Tax Benefits:

- For employees, the exchanged amount is deducted before tax and National Insurance (NI), meaning they pay less NI and income tax—boosting take-home pay or pension savings without increasing gross pay.
- For employers, salary exchange reduces employer NI contributions, creating direct cost savings. These savings can be reinvested into the business or used to enhance employee benefits.

Why It's Beneficial:

- For Employers: Cost-effective way to improve employee benefits without increasing salaries. It also demonstrates support for employee financial wellbeing and retirement planning.
- For Employees: Increases the value of their benefits with no impact on net income, while reducing tax and NI liabilities.

Implementing salary exchange is a smart move for employers looking to attract and retain talent while optimizing payroll efficiency.

With the recent budget and the increase in the employers' NI from April 2025, the tax savings for salary exchange are even more beneficial.

Points to consider :-

- Does your scheme currently operate on salary sacrifice?
- If the answer is yes, has it been set up correctly?
- Are you maximising the number of pension members who benefit?
- If you rebate some or all of the employers' NI rebate back into the pension plan, have you considered your approach with the extra NI saving post April?

AUTO-ENROLMENT COMPLIANCE



Auto-enrolment compliance is not just a legal requirement but a fundamental aspect of a well-managed pension scheme. UK employers must navigate this landscape with precision, ensuring all eligible employees are enrolled and that contributions align with statutory requirements.

An effective pension strategy includes a compliance component that guarantees the plan not only meets but anticipates regulatory changes.

Points to consider :-

- 🔄 If you had a visit from the Pension Regulator, would you be confident that you would meet all their requirements?
- 🔄 Where appropriate are you issuing the correct communications to members e.g. postponement notice?
- 🔄 Have you reviewed your communications to ensure they meet best practice?
- 🔄 Does your pension provider keep you informed of regulatory changes?



DELIVERING VALUE FOR MONEY







Every pound contributed to a pension scheme should work hard to deliver value for money. This involves assessing the fees associated with fund management and administration through a pension audit.

A comprehensive scheme health check can reveal areas where money can be saved without compromising on fund performance, offering participants the best possible return on their investments.

By conducting regular plan reviews, you can continually seek out cost-saving measures that do not detract from overall scheme performance.



Points to consider :-

-  Do you know the current scheme charge paid by you and the member?
-  Do you know if your scheme charge is competitive?
-  Has the scheme ever been re-priced?
-  Have you looked at what other providers offer?



INVESTMENT OPTIONS



Modern workplace pension schemes must cater to diverse employee aspirations and financial situations. Offering a wide range of investment options allows employees to tailor their pension plans according to personal risk appetites, principles and long-term goals.

Plan reviews should focus on the breadth and depth of choices available within the pension plan, expanding the options to meet varied employee needs, thus empowering them to make decisions that significantly increase value over time.

Points to consider :-

-  Is your current default fund targeting the right outcomes for your pension scheme members?
-  Do you know how many members have self-selected their own investment funds?
-  What governance is in place to protect the investment?
How has the investment performed against the benchmark?
-  How does actual investment growth compare to assumed growth?
-  How well is the investment risk spread? Is the investment well diversified?



ENHANCING EMPLOYEE ENGAGEMENT







The effectiveness of any pension scheme greatly depends on how engaged its participants are. Employee engagement initiatives such as financial wellbeing workshops, personalised benefit statements, and financial advice sessions are critical.

Actively engaging members at key points of life helps them understand the benefits (and importance) of their pension plan and ensures they achieve good outcomes.



Points to consider :-

-  Do you know how many of your pension scheme members have registered for online access or have downloaded an app?
-  Do you know what areas are a focus of members? Such as valuations, contributions, performance...?
-  Have you run any pension awareness campaigns recently?
-  Do you have any initiatives in place to support with Financial Wellbeing?

PENSION PROVIDER TECHNOLOGY



Pension provider technology can significantly enhance the experience of workplace pension scheme members by offering greater transparency, accessibility and control over their retirement savings.

By leveraging modern pension technology, workplace pension scheme members gain a more efficient and engaging experience, helping them take control of their financial future with confidence.



Points to consider :-

- Is the online portal/mobile app user-friendly?
- Do members have access to calculators and other tools?
- Can members amend contributions?
- Can members facilitate single premiums/transfers online?
- Can members update beneficiaries online?
- Can the current scheme handle salary exchange?
- Can members switch investments online?

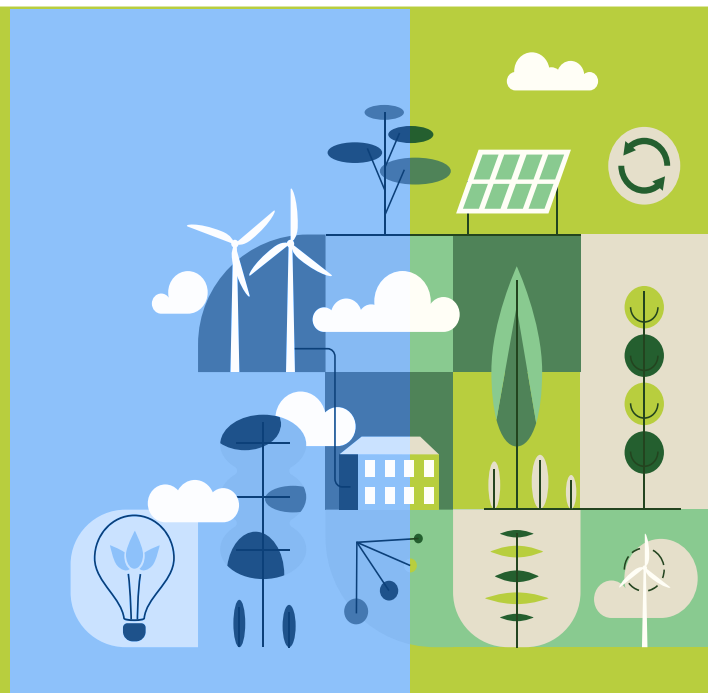
ESG CONSIDERATIONS





Socially responsible investing has grown from a niche market to a mainstream demand. Offering investment options that focus on environmental, social, and governance (ESG) criteria can increase value for employees who want to align their financial goals with their personal values.

Regular pension audits can ensure that ESG options are incorporated and performing well, allowing the scheme to appeal to ethically-minded investors and to fit with your own company's values.

ESG



Points to consider :-

-  Have you reviewed the underlying investment strategy of your default fund in line with ESG principles?
-  Are there suitable ESG funds available for your pension members to select?
-  Does the provider have an ESG default fund?

STRATEGIC SCHEME REVIEWS



Regular plan reviews are essential in adapting to evolving workforce demographics and market trends. By revisiting investment strategies, fee structures, and employee engagement programs at least annually, plan administrators can ensure the pension scheme remains relevant and competitive, as well as delivering better outcomes for members.



Points to consider :-

- Does your pension plan meet the needs of your employees?
- Does your pension scheme align with your values/business strategy?
- Is your pension plan with the best pension provider?
- What does your current pension provider do to support?
- Can improvements be made to make the scheme run smoother?

FINAL STATEMENT



Reviewing your workplace pension scheme is not just a financial decision, it's an investment in your employees' future and business's long-term success.

By assessing costs, you can ensure your scheme remains competitive and cost-effective.

Enhancing employee engagement with their pension boosts financial wellbeing, leading to a more motivated and productive workforce.

Ultimately, a well-managed pension scheme provides better outcomes for your employees, reinforcing your role as a responsible employer.

Time to take action

Now is the time to act. By reviewing your workplace pension, you can drive efficiency, support your team and secure a stronger financial future for all.

Contact the team at MGI 360 to discuss how we can help build stronger financial futures for you and your employees.



0131 605 0204
E: darren.mcgowan@mgi360.co.uk
W: <https://mgi360.co.uk>

5 South Charlotte Street
Edinburgh
EH2 4AN

