

## Trivial Commutation

Trivial  
Commutation  
is good for  
members,  
trustees and  
sponsors

In 2015, XPS Pensions Group launched its Centre of Excellence ('CoE'), specialising in supporting schemes and members through bulk exercises. One such exercise is Trivial Commutation, where members of defined benefit pension schemes are able to commute 'small' pensions into a one-off cash lump sum. This is considered a 'win/win/win' exercise for members, trustees and sponsors. The CoE, a dedicated and stand-alone team, has now processed over 120 of these exercises, ranging from a handful of members to schemes with over 10,000 members in scope, with high member engagement throughout.

### Background

In 2014, the Government significantly raised the thresholds at which a pension is deemed of sufficiently low value to be eligible for trivial commutation. The Single Pot limit was increased from £2,000 to £10,000 and the Total Benefits limit was increased from £18,000 to £30,000. Additionally the dependants' limit was raised from £18,000 to £30,000. This meant that many more members became eligible for trivial commutation, and any more schemes deciding to run an exercise, as well as including a business as usual option.

### Why do schemes undertake a trivial commutation exercise

**1 Evidence shows that members typically prefer a lump sum to a small pension.** With schemes increasingly looking to embrace the Freedom & Choice agenda, communicating all options (including trivial commutation) to members is seen as best practice.

**2 Administering a small pension is disproportionately onerous.** Removing these pensions reduces the burden on the administration team, freeing up resource for other projects and improving member experience on business as usual activities.

**3 Payments from the scheme reduce risk and are likely to improve the funding and solvency position for schemes.** The cost of a well-run exercise is outweighed many times over by the financial benefits derived, typically with no increased cash requirement from the Sponsor.

**4 If a scheme is planning any other member engagement exercises,** carrying out a trivial commutation exercise first is an effective way to improve the efficiency of the subsequent exercises; dealing with small pensions in such exercises is very costly relative to the potential benefit.



A specialist, dedicated team focussed on supporting the member experience

### Delivering a successful trivial commutation exercise

More than any other factor, the success of a trivial commutation exercise is directly related to the level of member engagement and understanding generated through the communications issued. Furthermore, the information and support that is provided to members throughout the process must be via a number of means to ensure they can choose the most suitable for their individual circumstances.

## Member engagement and understanding



Providing the right information at the right time through short, engaging communications



Providing information relevant to their situation



Supporting members through the exercise  
- Easy access to additional support and information through a variety of mediums

## Informed decisions and increased take up

Robust processes and audit trail/record keeping



## Our approach – a dedicated Centre of Excellence

We are unique in having a specialist and dedicated team of experts who design and deliver member engagement exercises. Given the CoEs unique focus on these types of exercises, XPS has been able to invest in a robust and market leading offering to clients. Over the course of 120 trivial commutation exercises, the CoE has developed bespoke processes, communications and technology to deliver a highly efficient and effective trivial commutation service, focussed on the member experience that will deliver the optimum result for trustees, members and sponsors. The CoE also partners with Tax Help for Older People so members can easily access support in an area that typically raises most questions.

Recognising that our clients' pension teams will be busy, the process is designed so the client can have as much or as little involvement in the exercise as they wish. The CoE is ideally placed to efficiently guide the client through the process, advising on what works best. XPS has continued to invest in and develop the CoE, most recently bolstering the trivial commutation process with an online functionality, enabling members to accept the lump sum offer without the need to complete and return paper forms. Coupled with their expertise in tracing and verification and the expansion to tackle Protected Rights and Wind up Lump Sum projects the CoE is ideally placed to assist with these bulk member exercises.



We were very satisfied with XPS Pensions' Centre of Excellence, especially the professionalism and support provided to our members throughout our exercise. We would be very happy to recommend the Centre of Excellence to other schemes.

**Gary Shirley, Pension Trustee**  
**The Henry Boot Staff Pension & Life Assurance Scheme**



Our bespoke system allows the provision of robust and powerful real time MI during the exercise so you can monitor progress every step of the way.

Members have access to lots of information through our user friendly and easy to navigate website: [www.trivialcommutation.com](http://www.trivialcommutation.com) and via a dedicated email address.

Members can also choose to speak directly with our specialist team by clicking on the 'request a call' link on the website.

All member correspondence is bar coded and automatically scanned in and out of the Centre of Excellence.

This provides a full and real time audit trail for each member and the whole scheme.



Dedicated team of experienced professionals  
Director of CoE - Colin Miller  
Actuaries, Project Managers, Data Analysts & Helpline Manager



Bespoke systems, fully automated, barcoded letters; a full audit trail.



A wealth of MI & real time reporting

## A dedicated Centre of Excellence

Members are able to use online verification and also select their option online.



Dedicated website [www.trivialcommutation.com](http://www.trivialcommutation.com)



Established processes; 28 approved letters



Member helpline; FAQs

The member communications comprise of a series of short and engaging letters which are tailored to an individual member's situation.

The letters were designed with input from a pensioner focus group to ensure they are easy to understand and presented in a style relevant to the audience.

To ensure members are provided with support and access to any further information required, the Centre of Excellence provides a dedicated helpline run by specialists who are trained to answer the typical questions raised by members.

### For further information

Please get in touch with Colin Miller or Sankar Mahalingham.

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