

Sample buyout letter

Here's the warm-up letter from our buyout communications toolkit, with our commentary on what we've done and why

First page

This positive framing is a vital part of this letter's success in testing. It's probably the single most important factor in reducing worry and calls to your admin team. If you don't suggest HOW members should feel about this information, they will instinctively try to work that out for themselves. And often that will lead to a negative framing - 'this must be bad news'.

This is one example of many where we've used everyday language rather than the low level jargon of the pensions world, such as 'at retirement' or 'pension in payment'.

Many members have little or no idea of how their pension works. Even if they do, it's good to start with a short, clear summary to remind them and warm them up for what follows.

This essential feature of DB schemes passes most members by - they conflate the trustees with the employer. In the context of the buyout it is important to make this distinction really clear, especially if there is going to be a surplus to distribute.

Sam Jones
1 Avenue Road
Abington
Greater London
LE2 3BH

**Richardson Global
Pension Scheme**

Dear Sam

Good news – Aviva is taking over your Richardson Global pension

When you worked for Richardson Global Ltd, you built up benefits as part of your employment contract. Thanks to these benefits, **when you reach your retirement date**, you'll get a pension that will be paid to you every month for the rest of your **life**.

Currently, you're due to get this pension from the Richardson Global Pension Scheme ('the Scheme'). The Scheme **is a separate entity** to Richardson Global Ltd ('the Company') and exists solely to pay pensions for its members. The Scheme is looked after by us – a group of trustees whose job it is to make sure that everyone in the Scheme gets the pension they're due.

We're writing to you now because we have good news to share

We are pleased to announce that we're about to start the process of transferring members' benefits to the insurance company Aviva. This process is called a 'buyout' and it's considered the best level of security a pension scheme like ours can give its members and their families.

We're excited to be able to do this for you, as not all pension schemes can. In fact, we can only do this now because we're in such a strong financial position, thanks to funding from the Company and the way we've invested that funding.

It will take around 18 months to complete the buyout and, when it's done, you can expect your pension to come from Aviva instead of the Scheme. There's nothing you need to do with this letter, we just want to share the good news, and let you know what to expect over the coming months.

Important: This news does not affect the amount of pension you'll get

When you start getting it, your Scheme pension will be paid to you for the rest of your life. That will continue to be the case when Aviva takes over. We've also made sure that the benefits we're securing with Aviva match your entitlement in the Scheme. This means that, for example, if your spouse is due to get a pension from the Scheme when you die, they will still get this pension – it will just be paid by Aviva.

The key difference is that Aviva will be legally responsible for your benefits instead of us. It will:

- start paying your pension when you reach your retirement date,
- send you an insurance policy for your secured benefits, and
- be on hand to answer any questions you have about your pension.

Aviva is the UK's largest insurer, and already manages pensions for over 5.1 million people.

We've chosen Aviva because we're confident it will be an excellent pension provider for our members and their families.

If you're due to retire in the next 18 months, don't worry – the Scheme will pay your pension from the date you retire until Aviva takes over.

First page cont.

Most schemes we've worked with have been happy with this statement, but you can of course vary it if you prefer. We recommend keeping it if you can because it's very reassuring to the reader.

This paragraph might feel like unnecessary background information to a professional pensions person, but it tested extremely well. Members want to understand why this change is happening, and to be reassured that it is a positive step that reflects well on all parties.

It's a good principle to set expectations around timing. So even if you don't know the details, saying something like 'two to three years' is helpful for members.

Testing showed it was important that we get this message on page one of the letter. It's the information that members are looking for, and until they see it they could worry.

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Without getting into technical details or due diligence, it's important to take time to reassure members that their pension will be in good hands.

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Second page

Some members will skim over this section, but others will want to know more about the process and what to expect and why it takes so long.

Include if you're planning any form of data audit or cleansing ahead of buyout.

Include if you've yet to complete GMP equalisation.

The letter fulfils all your disclosure requirements for a formal wind up.

Richardson Global Pension Scheme

Here's what will happen over the next 18 months

Until Aviva takes over, the Scheme will still be responsible for your future pension. So you won't see much change until Aviva sends your policy and a welcome pack in about 18 months. The reason the process takes so long is because there is lots for us to do between now and then.

Our work ahead will include some things you might hear about, so we want to make you aware of them now:

Reviewing all the Scheme's data

We securely hold data for all members of the Scheme. This includes information like work history, current address, and bank details for retired members. We'll need to pass this safely over to Aviva, so we're making sure it's all in good order first.

We're reviewing our data to make sure everything is present and correct. If we find that there's anything wrong or missing in your data, we'll be in touch with you to set it straight.

Updating pensions in line with recent regulation changes

We'll also need to check our data against the Scheme rules and some recent changes in pensions law. As a result of this check, we may have to make some adjustments to some people's pensions.

If you're affected by this, we'll write to you about it shortly. We just need to finish this process before handing over to Aviva.

Winding up the Scheme

Once Aviva is ready to pay pensions and look after our members, there'll be no more need for the Scheme, and it can be 'wound up'. This means the Scheme will be shut down, all our advisers will wrap things up, and the trustees will disband.

We have already begun the process of winding up the Scheme behind the scenes. We won't complete this until all our members have moved to Aviva. After that point, the Scheme will cease to exist.

There's a bit of work involved in winding up a pension scheme, most of which won't start until Aviva has everything it needs from us. We'll write to you to confirm when we've reached this point.

You can still transfer your benefits at any point before you retire

You currently have the option to transfer your benefits out of the Scheme and into another pension arrangement if you want to. This will continue to be the case until the Scheme winds up, and it will be the case when Aviva are looking after your benefits. The only time when you're not able to transfer your benefits is after you start taking them as a pension.

If you are interested in transferring your benefits, please get in touch with the administration team on admin@richardsonpensions.com to let them know. They'll be able to send you all the necessary information.

Third page

Several members in testing independently told us that they wanted a bullet point summary. So we added one.

Choose someone to be the 'voice' of your buyout communications. This would normally be the chair of trustees, but if a more suitable or well-known person is available then consider using them.

Richardson Global Pension Scheme

Feel free to get in touch if you have any questions

In **summary**, all you need to know is:

- Aviva will take over paying your pension in future,
- this will not change the amount of pension you are due to get, or the way it will increase each year,
- we have some work to do beforehand, which will take around 18 months, and
- there is nothing you need to do, we're just sharing the good news.

As your trustees, we'll continue to fulfil our responsibilities while the Scheme is still active. We'll make sure the Scheme continues to be properly funded, we'll keep up with regulation and pension rulings, and we'll continue to pay retired members and their families the pension they're due.

We'll keep you up to date with anything that affects you or the Scheme, and we'll also let you know how the buyout is progressing over the next 18 months. You'll get plenty of notice before Aviva becomes responsible for your pension.

In the meantime, if you have any questions or need to update the information we hold for you, you can contact our administration team on **01234 678945** or at **admin@richardsonpensions.com**.

Yours sincerely



Jenny Bloggs
Chair of the **Trustees**

Next steps

To talk to us about our template letters for buyout and buy-in, email buyout@quietroom.co.uk