

Bulk trivial payment exercises back on the agenda

Members with small benefits can often elect to convert them into a one-off cash lump sum payment. Any such payments are subject to the individual scheme rules and to certain eligibility criteria. **Typically, bulk trivial payments are seen as ‘win-win-win’ for members, trustees and employers as all parties can benefit.**

What has changed

50% more members are eligible for certain types of trivial payments than they were a year ago, according to XPS research. This is due to significant changes in market conditions over the past year.

GMP equalisation had caused some schemes to stop making trivial payments – but as equalisation work progresses, rather than being a barrier, it is becoming a driver for offering members this option.

The different types of trivial payments




	Small Lump Sum	Trivial Commutation Lump Sum	Trivial Commutation Lump Sum Death Benefit
Applicable to	Deferred and Pensioner members	Deferred and Pensioner members	Dependants
Minimum age	Normal Minimum Pension Age*	Normal Minimum Pension Age*	No age restriction
Eligibility	Benefits within an individual scheme are valued at less than £10,000	Entire pension wealth across all schemes is less than £30,000	Dependant's benefits within an individual scheme are valued at less than £30,000

* Members may be eligible for a trivial payment before Normal Minimum Pension Age (NMPA) in certain circumstances.

Trivial payment exercises can be beneficial for all parties and some of the barriers to running such exercises, such as GMP equalisation, are no longer present. Coupled with an increase in the number of eligible members, now is a great time to be offering members this valuable option.

Steve Hobbs – Senior Consultant, XPS Pensions Group

Key benefits of bulk trivial payment exercises

	Members 	Trustees 	Employers 
1	Members value the choice being made available and in many cases they are not reliant on small benefits and find a lump sum payment more favourable.	Combining a trivial payment exercise with GMP equalisation removes the need to carry out further calculations for members who take the lump sum payment and thereby reduces administration in the future.	Trivial payments are likely to improve funding position of scheme against most bases (funding, buyout).
2	Bulk trivial payment exercises are often popular with members. Typically 60% of eligible members select to take a small lump sums and trivial commutation lump sum death benefit payments.	Trivial payments reduce the size of the scheme, therefore improving administration capacity and reducing ongoing costs.	The size and risk of the scheme is reduced making the scheme more attractive for an insurance transaction.
3	Taking a trivial payment does not trigger the Money Purchase Annual Allowance – members can continue to contribute up to the full annual allowance (currently £60,000) and benefit from tax relief on pension savings.	Trivial payment amounts are likely to be calculated on a best estimate basis, so there may be significant gains for both the scheme funding and buyout positions.	Exercises can make the scheme more efficient to run including increasing the efficiency of any subsequent projects.

Our experience and capability

XPS Pensions Group has experience of designing and project managing over 170 trivial payment exercises. XPS are unique in having a specialist and dedicated team of experts who design and deliver member engagement exercises through a market leading offering to clients. We have developed bespoke processes, communications, online capabilities and technology to deliver a highly efficient service, focussed on the member experience that will deliver the optimum result for trustees, members and sponsors.

For further information, please get in touch with **Colin Miller** or **Steve Hobbs** or speak to your usual XPS Pensions contact.



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