

## Case Study

### Pension schemes, the coronavirus and how OPDU policy cover protects

Trustees and others involved in running occupational pension schemes are facing a number of challenges as a result of the coronavirus pandemic.

The following are some illustrative examples of situations that have arisen, or could arise, together with how an OPDU policy could help protect the trustees and the scheme in such circumstances.

Issue	Scenario	OPDU policy protection
The continued payment of pensions and other benefits.	Following the implementation of remote working, the third party administrators are unable to pay pensions and other benefits, including managing the scheme's cash flow effectively. A claim is brought against the trustees for maladministration.	<ul style="list-style-type: none"> <li>▪ The trustees' costs associated with defending the claim;</li> <li>▪ The costs associated with pursuing legal proceedings against the third party administrators for breach of professional duty of care.</li> </ul>
The payment of pension contributions to both defined benefit and defined contribution schemes.	The company suspends contributions to both its defined benefit and defined contribution schemes for more than 3 months. At the same time, the company continues to pay dividends to its shareholders and bonuses to its senior executives. A claim is brought against the trustees by a number of unhappy scheme members. The trustees need to defend their position but are unable to obtain the insurer's prior written consent quickly. The Pensions Regulator commences an investigation.	<ul style="list-style-type: none"> <li>▪ Emergency costs as the insurer's prior written consent was not possible, provided the insurer's written consent is sought within fourteen days of costs first being incurred;</li> <li>▪ The trustees' costs associated with defending the claim;</li> <li>▪ The trustees' reasonable legal costs and related professional fees associated with the regulatory investigation.</li> </ul>
The performance of the default investment strategy for defined contribution scheme members.	The default investment strategy for members due to take their benefits incurs heavy losses due to a high level of equity and corporate bond exposure. A member brings a claim against the trustees for loss of expected retirement income, on which their recent expenditure had been based.	<ul style="list-style-type: none"> <li>▪ The trustees' costs associated with defending the claim;</li> <li>▪ The payment of any losses upheld;</li> <li>▪ The costs associated with pursuing legal proceedings against the third party investment advisers for breach of professional duty of care.</li> </ul>

The payment of transfer values from a defined benefit scheme

Transfer values continue to be calculated and paid without reference to the Scheme Actuary as to the potential impact on the Scheme's funding position and cash flow. Scheme assets are sold at depreciated values to meet the transfer payments. A significant number of members have been advised by a rogue firm of financial advisers, and have had their pension funds invested inappropriately, resulting in significant losses. No 'pension scam' material has been issued by the trustees or their administrators, nor has any check been undertaken as to whether the members have received financial advice. No checks have been made about the financial adviser's authorisation. The situation has now been featured on the 10 o'clock news.

- The trustees' costs associated with defending the claim;
- The costs associated with pursuing legal proceedings against the third party administrators for breach of professional duty of care;
- The Public Relations expenses incurred following the issue being highlighted on the 10 o'clock news.

#### Important notes:

1. The above case studies are examples for illustrative purposes only. Cover under an OPDU policy depends upon the actual circumstances, and the policy terms and conditions.
2. Some aspects of cover are optional extensions.
3. Claims are subject to appropriate notification and consent.
4. The Pensions Regulator is producing regular guidance and information for issues associated with the coronavirus. To ensure you remain up-to-date, visit their hub [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

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