

Aon Member Options Survey

Sponsors and trustees have an important role to play in deciding what options to make available to members and how much member support should be in place.

Aon's 2018 Member Options Survey looked into the actions around 300 defined benefit schemes have been taking in response to pensions flexibilities.

Significant increase in cash equivalent transfer values (CETVs)

90%

seen an increase in CETV requests

90% of schemes have seen an increase in requests from their members for transfer values over the last 18 months, with around 40% seeing a significant increase

Around 30% of the schemes are taking action to automate a greater proportion of the transfer value calculations that are carried out by scheme administrators

30%

increasing automation of CETV calculations

Change in trustee attitude

For many years, proactively talking to members about the transfer value option was considered to fall under the remit of the sponsor, with trustees much more likely to take a reactive response to requests.

However, we are increasingly seeing trustee boards being more proactive in this area, potentially driven by an increased interest from members and a desire to ensure that members have all the information they need to make informed decisions about their retirements.

In fact, some lawyers are openly offering the view that it could be considered to be more risky not to proactively provide members with details of the transfer value option at retirement.

Our survey showed us that:



Reduction
compared to 2016 survey



Increase
compared to 2016 survey

- **16%** of schemes are just following statutory requirements
- **53%** are including wording in retirement packs about the transfer value option but not figures
- **17%** are including figures in retirement packs setting out the transfer value amount
- **14%** are providing members with figures in retirement packs along with online modelling tools and/or paid for IFA advice
- A further **8%** of schemes are planning to make online modelling tools and/or paid for IFA advice available within the next 12-18 months

Increase in providing members with full support

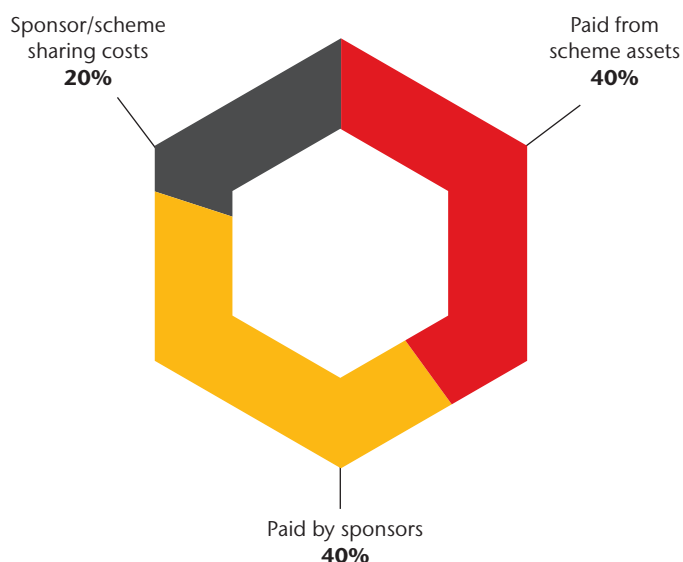
Given the industry concerns around the quality (and cost) of advice provided in some recent high profile cases, trustees and sponsors are increasingly putting in place preferred IFAs - either financed by the member, or financed directly by the sponsor or trustees.

For schemes who do decide to go down this route, there are clear benefits for members:

- They get access to a reputable, high quality adviser who has been trained in the details of the DB scheme that they are currently a member of; and
- Advice costs that can be substantially lower, even when the trustees or sponsor are not actively subsidising the cost

Where financial advice has been made available to members at no cost to them, the costs of that advice are either paid directly by the sponsor, paid for by the trustees from the scheme assets or, in some cases, the costs are shared between the sponsor and the trustees.

Where financial advice is made available to members, around 80% of schemes are providing that advice at no cost to their members and our survey showed that there is a fairly even split of arrangements in place for meeting the cost of this advice.



Ensuring members can make the right decisions for them at retirement

Whilst it can be debated how far trustees and sponsors should go supporting members at retirement, it is clear that reducing the barriers for members to engage and streamlining the process will help ensure members make the most appropriate decision for them at retirement. Our survey results show that this is an area that has received increasing attention since the new pensions flexibilities were introduced in 2015, and we expect this trend to continue.

About Aon

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The pension freedoms legislation has given new options to members, and many schemes and sponsors are considering which options to make available to their members and how to help support them in making informed decisions on the type and form of their benefits.

If you would like to find out more or discuss this further, please contact your usual Aon contact, email us at memberoptions@aon.com or speak to one of Aon's Member Options specialists below

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