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# DB to DC transfers ensuring quality of advice

Following the introduction of 'Freedom and Choice' for defined contribution (DC) pensions in April 2015, we have seen increasing numbers of members transfer out of defined benefit (DB) schemes to access these new freedoms. Alongside this came the requirement to take financial advice from an Independent Financial Advisor (IFA) to help members make an informed decision.

However, the IFA market has attracted a lot of negativity in the pensions and even national press. In particular, the 2017 FCA review into advice provided by IFAs to members found less than 50% of this advice to be suitable. This is a damning statistic, but it is worth pointing out that there were firms included in this review whose advice was not condemned in this way.

The FCA review was followed by Caroline Rookes' review of the communication support given to members of the British Steel Pension Scheme. Rookes was commissioned by The Pensions Regulator (TPR) to undertake an independent review of communication and support given to British Steel Pension Scheme members (January 2019). This review highlighted the lack of support members were given to find an appropriate IFA and to make decisions. Rookes, former CEO of the Money Advice Service, was particularly critical of the tools available to help members to find an IFA and she made the following recommendations:

- + Trustees should consider different channels of communication when reaching out to members and should make full use of digital communications
- + TPR, the FCA and Single Financial Guidance Body (SFGB) (formerly TPAS) should improve their websites and guidance and support to members and trustees
- + Trustees should be expected, via TPR codes and guidance,

to provide appropriate support to members who are considering a cash transfer. This might build on the industry code of practice for incentive exercises originally published in 2012.

At Aon we agree with these findings. In our view, reputable IFAs continue to give members high quality support with their retirement decisions, leading to better retirement outcomes. However, the difficulty lies in navigating the good and the bad IFAs. Surely, trustees are better placed to signpost members to a vetted IFA who has knowledge of their scheme, rather than leaving individual members to fend for themselves? Many of our clients consider appointing preferred IFAs, regardless of whether it is the member or the scheme that pays for the cost of the advice.

This IFA support should then go hand-in-hand with a clear communication strategy to help educate members on their options. The best communications strategies are often across a range of different media to help meet the needs of a wider audience. Increasingly, we are seeing

members go online for their information, and this area is no different. Since its launch in 2016, we now have 50 schemes live or onboarding on Aon's online model (AROM), which has provided access to support for over 12,500 members. This can be used to help members compare their retirement options in the scheme with the options they would have if they were to transfer out of the scheme.

The overwhelming feedback is that these members are then having more informed and more productive conversations with their IFAs. But the responsibility for good quality advice remains with the IFA, and the importance of this has never been greater.

**Trustees have an important role to play to ensure members have access to this advice and the tools required to support their retirement planning.**

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