Survey on Flexible Pension Access

Report of findings on the 2015 research survey

Prepared for The Pensions Regulator
By OMB Research

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1 Executive Summary

1.1 Introduction

This report summarises the results from the July – August 2015 research survey carried out by OMB Research, an independent market research agency, on behalf of The Pensions Regulator (the regulator).

The main objective of the research was to gather information on the prevalence of exit fees and charges and the transfer process in occupational defined contribution pension schemes.

The survey comprised an online self completion questionnaire completed by 226 trust-based schemes, comprising 217 single-employer schemes[1] and nine non-associated multi-employer schemes, commonly known as 'master trusts'[2].

We have analysed the results in two ways:

- Among pension schemes, that is the sample of 226 schemes interviewed, weighted at the analysis stage to be representative of the scheme universe.
- By the number of members in the pension scheme universe. These findings represent 87% of members of defined contribution schemes. Of those schemes interviewed 223 are included in this analysis while three are not.

Note that the master trusts who took part in the survey account for almost half (47%) of members in the member universe covered by the survey, while a further 46% of members are accounted for by large schemes (i.e. those with 1,000 or more members). Therefore the survey findings in terms of the number of members are determined almost wholly by these two types of schemes.

1.1.1 Context of occupational pension schemes

Occupational pension schemes come in many different forms, with a very wide range of sizes and benefit arrangements. Some schemes meet the needs of a small number of directors, some are very large for a single major employer, while others serve multiple employers which may or may not be linked in some way. Moreover, trustees who govern schemes can range from senior managers or shop floor employees to professionals or pension experts. Occupational pension schemes are also distinct from other forms of pension provision, in that the employer plays a central role both in terms of benefit design, which forms part of its reward strategy, and in terms of how it is administered.

In light of this, it is likely that those responding to this survey may not always have been certain about how to apply the questions asked to the circumstances of their scheme or have had the information available to be wholly confident of the correct answer. We have identified in the report where we consider this to be the case.

[1] In this report schemes defined as single employer schemes may also include schemes with a number of associated participating employers.
[2] The term 'master trust' is used throughout this report to refer to these nine schemes.

1.2 Key findings

1.2.1 Decumulation options

1.2.1.1 Decumulation options available to members

As members have the right to transfer out of their scheme, where a member of a pension scheme is unable to access one or several of the decumulation options through their scheme, they can access all of them by using a specialist third party provider or insurer.

Analysing the findings by members (as opposed to schemes)[3], uncrystallised funds pension lump sum (UFPLS) and tax free lump sum withdrawal were the most common options available to members, namely 88% and 70% of members respectively. See Table 1.2.1.1.1. Half (47%) had the option of taking a lifetime annuity, either within the scheme[4] or via a tie-in arrangement, while drawdown was much less likely to be available (18%).

Table 1.2.1.1.1: Decumulation Options Available to Members

	Proportion of members
Uncrystallised funds pension lump sum - any[5]	88%
Withdrawal of tax free lump sum	70%
Lifetime annuity	47%
Drawdown - any[6]	18%
Other - Small pots lump sum	92%
No options available	0%

Analysing the findings by schemes, Table 1.2.1.2 shows the proportion of schemes providing access to each option, either within the scheme or through a third party. The most common options available were withdrawal of a tax free lump sum (77%) and lifetime annuity (74%). UFPLS was available to members in two-fifths of schemes (43%) and drawdown to members in a third of schemes (31%).

There were differences in the decumulation options between scheme types. Within master trusts, tax free lump sum and UFPLS were the options most likely to be available. Single-employer schemes were most likely to provide access to a tax free lump sum and annuity. Tax free lump sum and annuity were also most likely to be available in hybrid schemes.

When considering the survey findings, we believe that there may be an issue of schemes (small schemes in particular) not understanding some of the survey

[3] Members here refers to all scheme members (of any age).

[4] Within the scheme refers to options offered or paid by the scheme itself, as opposed to options offered through a third party.

[5] Any means that schemes provided access to either both or one of full and partial encashment.

[6] Any means that schemes provided access to either both or one of full and partial encashment.

questions or the subject matter. For example 7% of schemes said no decumulation options were available to members, rising to 12% of small schemes. We also find the number of schemes that do not offer withdrawal of a tax free lump sum to be noteworthy. However, this may be explained by trustees who do not operate a formal tie-in arrangement paying a transfer value to an insurer who then pays both a tax free lump sum and other benefits.

Table 1.2.1.1.2: Decumulation Options Available Among Schemes

	Total	Benefit type		Scheme structure				
				Single-employer				
		Pure DC	Hybrid	Total single-employer	Small (12-99 members)	Medium (100-999 members)	Large (1000+ members)	Master trust
Base: All schemes	*226*	*122*	*104*	*217*	*60*	*81*	*76*	*9*
Uncrystallised funds pension lump sum (UFPLS) - any	43%	36%	57%	43%	21%	51%	78%	89%
Withdrawal of tax free lump sum	77%	73%	84%	77%	73%	76%	86%	89%
Lifetime annuity	74%	67%	86%	74%	66%	77%	87%	56%
Drawdown - any	31%	35%	23%	31%	34%	25%	31%	56%
Other - Small pots lump sum	65%	54%	86%	65%	48%	75%	87%	100%
No options available	7%	11%	2%	8%	12%	6%	0%	0%

A small minority of schemes (14%) reported that all four main decumulation options were available to members (i.e. withdrawal of tax free lump sum; UFPLS (full or partial); drawdown (full or partial); lifetime annuity), either within the scheme or through a third party.

1.2.1.2 Access to decumulation options and take-up

A third of schemes (31%) said they had members who were eligible to access available decumulation options (i.e. these schemes had members who were aged 55 or over on 6 April 2015 or had turned 55 since that date). Three-fifths of schemes (61%) had no eligible members with access, and the remaining 7% did not have decumulation options available to members (as shown in Table 1.2.1.1.2). One interpretation of this data is that the DC occupational market is still evolving as many members, due to their age, are not currently facing decumulation choices. This may explain why some schemes have reported that they do not yet offer new decumulation options.

Analysing the findings by members[7], Table 1.2.1.2.1 shows that on average (mean) 42% of scheme members with access to the withdrawal of a tax free lump sum had taken up this option. Lower proportions took UFPLS (20%), an annuity (15%) and drawdown (5%).

Table 1.2.1.2.1: Proportion of Eligible Members Who Had Taken Up Decumulation Options

	Proportion of eligible members taking up decumulation option
Withdrawal of tax free lump sum	42%
Uncrystallised funds pension lump sum - any[8]	20%
Lifetime annuity	15%
Drawdown - any[9]	5%
Other - Small pots lump sum	27%

A quarter of schemes (24%) were planning to make decumulation options available in the future that were not currently available (8% already provided access all of the detailed options asked about[10]). Two thirds (62%) did not intend to make available any options in addition to those already available. A minority (6%) did not provide access to any options and did not intend to make available any in the future.

1.2.2 Transfer processes

We asked about transfer arrangements applied by the scheme generally, not only specifically about accessing decumulation options. The survey questions on transfers were answered by schemes in relation only to members aged 55 or older after 6 April 2015.

The maximum time periods for transfers are set out in legislation. Generally speaking, for members of DC schemes, trustees must pay the transfer within six months of the member's request for the payment of a transfer value. The position for other benefits such as safeguarded benefits or cash balance benefits is different and, generally, trustees must pay the transfer within nine months of the member's request.

Around a quarter of schemes (27%) had completed a transfer-out since 6 April 2015, with larger schemes (61%) more likely to have completed transfers than smaller schemes (10%). Of the master trusts surveyed, 67% had completed a transfer since this date.

[7] Scheme members here refers to members aged 55 or older who have had access to the scheme's decumulation options since 6 April 2015.
[8] Any means that schemes offered either both or one of full and partial encashment.
[9] Any means that schemes offered either both or one of full and partial encashment.
[10] All options here includes all seven options listed in the questionnaire: withdrawal of tax free lump sum; UFPLS full and partial encashment; Drawdown full and partial encashment' lifetime annuity; small pots lump sum.

Analysing the findings by members[11], the average transfer time taken across the member universe was 25 days (mean). The median time was 11 days.

In terms of schemes, among schemes that had completed transfers-out, most said the average transfer time taken was 39 days (mean); the median was 30 days. For master trusts the mean was 20 and the median 11.

1.2.2.1 Transfers-in

Two thirds of schemes (64%) allowed *existing* members to transfer-in benefits from a DC scheme and half (52%) allowed existing members to transfer-in from a DB scheme.

Around a quarter of schemes allowed existing members to transfer-in benefits except where a transfer of safeguarded benefits had been requested: 26% in the case of transfers-in from DC schemes and 24% from DB schemes.

The larger the scheme, the more likely it was to allow existing members to transfer-in benefits from DC and DB schemes: respectively, 83% and 71% of large schemes permitted existing members to transfer-in benefits from DC and DB schemes, reducing to 50% and 41% respectively of small schemes.

Two thirds of schemes (63%) allowed *new* members to transfer in benefits from a DC scheme and close to half (46%) allowed new members to transfer in from a DB scheme. Here also, some schemes allowed transfers-in from all new members except those requesting to transfer safeguarded benefits: 26% in the case of transfers in from DC schemes and 19% from DB schemes.

Scheme size here too had a bearing on the likelihood of a scheme permitting new members to transfer-in benefits from either DC or DB schemes: respectively, 79% and 67% of large schemes permitted existing members to transfer-in benefits from DC and DB schemes, compared to 51% and 37% of small schemes.

A third of schemes (32%) said they permitted transfers-in from “insistent customers” (who are acting against financial advice); the larger the scheme the more likely it was to permit this (20% of small schemes permitted transfers-in from “insistent customers” compared to 49% of large schemes; 56% of the master trusts surveyed permitted this).

1.2.2.2 Perceived risks to members of significant changes to transfer process

We asked schemes if they were concerned about particular risks to members from significant changes to the transfer process.

Approaching a third (30%) did not feel that there would be any risks to members as a result of significant changes to the transfer process. One in ten (11%) raised their concern about pension scams or pension fraud (11%). Other concerns included the

[11] Members here refers to members who were aged 55 or older on 6 April 2015, or have turned 55 since this date.

risk of members making a bad decision (6%) and that members should seek or be offered advice and guidance (5%).

1.2.2.3 Suggestions on how to improve the transfer process

A third of schemes (34%) either said that they didn't know or did not provide an answer on how the transfer process could be improved. A quarter (25%) said either that no steps could be taken or that the question was not applicable to their scheme, and a further 10% felt that the current system was satisfactory.

While only a minority of respondents made specific suggestions for improvement, 10% felt that standardisation and simplification in the industry would improve the efficient operation of the transfer process and one in twenty (4%) highlighted a need for appropriate information, advice and education to be provided.

1.2.3 Requirements to take advice and supporting members to get advice

The survey questions on advice and support were answered by schemes in relation only to members aged 55 or older after 6 April 2015.

A third of schemes (33%) said they require *all* members to take independent financial advice before *transferring out* of their scheme to access decumulation options and a further 14% said they require certain members to take this kind of advice (generally respondents referenced some aspect of legislative requirement). Small schemes were most likely to report that they require all members to take advice (44%), while master trusts, large single-employer and hybrid schemes were least likely (11%, 13%, 26% respectively). This seems a high figure, even taking into account the transfer of safeguarded benefits from hybrid schemes. We are aware that some schemes provide access to advice or guidance, which is confirmed elsewhere in this survey. It may also suggest a problem schemes are facing with interpretation of benefit structures, the definition of safeguarded benefits and the potential overlap with the definition of flexible benefits.

Almost half of schemes (44%) did not require members to take independent financial advice before transferring out.

Almost a fifth of schemes (17%) said they require *all* members to take independent financial advice before *transferring in* to their scheme to access decumulation options and a further 9% said they require certain members (again, generally respondents referenced some aspect of legislative requirement) to take this kind of advice. A third (30%) of schemes said they do not require members to take independent financial advice while nearly half (44%) answered 'not applicable' to this question.

A fifth of schemes (20%) said they require <u>all</u> members to take independent financial advice before *moving from accumulation to decumulation* within the scheme, with a small number (3%) saying "certain members". In contrast, half of schemes (53%) did not require members to take independent financial advice for this reason, higher among large single-employer schemes than small schemes (71% compared to 39%), and also higher among master trusts (67%).

In relation to supporting members to get advice, the majority of schemes (79%) said they provide members with information to find a financial advisor. The majority of master trusts said they provide members with this information (89% i.e. eight of the nine). A similar proportion of hybrid schemes (88%) did so while a slightly lower proportion of single-employer schemes (79%) did. Small schemes were least likely to provide this information (62%).

Over a third of schemes (39%) had a tie-in or other arrangement with a financial advisory firm to support member access to financial advice.

1.2.4 Exit costs and charges

A minority of schemes (11%) said they do apply an exit cost or charge to a member's pot when they exercise an exit option (either as a fixed fee or a percentage fee) while 89% do not. Of the exit options asked about, the option most likely to incur a charge from schemes was a UFPLS, with 3% of schemes saying they would apply a charge if a member took up this exit option, followed by a bid-offer spread[12] (2%). Five per cent of schemes said another exit charge, different from those specified, would be applied to members wishing to exit the scheme[13].

Other engagement TPR has had with schemes has identified that many provide a fee-free option for an initial withdrawal, while subsequent withdrawals would have a fee levied.

Analysing the findings by members[14], a small minority of members (6%) were in a scheme in which an exit cost or charge would be levied if they exercised an exit option while 94% were not.

Of the very small number of schemes in the survey that charged a fee (13 schemes charged a fixed fee and nine charged a percentage fee), the mean fixed fee charged was £195 and the median fixed fee was £200. Where a percentage fee was charged to a member's pot when exercising an exit option, the mean was 10% and the median was 5%[15].

The minimum percentage fee cited by a scheme was 0.3% which would be applied to UFPLS. The maximum fee reported was 31% which is significantly out of line with most of the remaining results. Six of the nine fees given ranged between 1% and 5%.

2 Background & Objectives

2.1 Background

In April 2015, the government introduced a change to how members of defined contribution pension arrangements could access their pension savings by removing

[12] In general terms, this is the difference between the buying and selling price of a unit or share.
[13] This included schemes who said they did not know exactly what the charges were or they were too variable to specify.
[14] Members here refers to all scheme members (of any age).
[15] These figures include two or three outlier results which we will explore further.

the effective requirement to purchase an annuity. As of April 2015, pension scheme members aged 55 or over with defined contribution pension savings are entitled to access their pension flexibly, through a choice of decumulation options, subject to their marginal rate of income tax.

On 1 July The Pensions Regulator announced work on a survey of occupational pension schemes to understand the decumulation options available to members, advice requirements applied to transfers, the transfer process adopted by schemes and exit costs / charges in relation to a member moving their benefits. The survey findings will inform the Government's current consultation on options to address excessive early exit penalties and improve the transfer process, and to complement TPR's engagement with multi-employer and large single-employer schemes that already provide, or are considering making available, new flexible decumulation options.

2.2 Context of occupational pension schemes

Occupational pension schemes come in many different forms, with a very wide range of sizes and benefit arrangements. Some schemes meet the needs of a small number of directors, some are very large for a single major employer, while others serve multiple employers which may or may not be linked in some way. Moreover, trustees who govern schemes can range from senior managers or shop floor employees to professionals or pension experts. Occupational pension schemes are also distinct from other forms of pension provision, in that the employer plays a central role, both in terms of benefit design, which forms part of its reward strategy and how it is administered.

In light of this, it is likely that those responding to this survey may not always have been certain about how to apply the questions asked to the circumstances of their scheme or have had the information available to be wholly confident of the correct answer.

2.3 Objectives

The objective of the research was to gather information on the prevalence of exit fees and charges and the transfer process in occupational defined contribution pension schemes.

Specifically, the survey sought to provide an understanding of:

- Which decumulation options are available to members by schemes
- The process of transferring in and out of schemes and the prevalence of transfers
- Any suggestions schemes had for improving the transfer process
- Whether advice is required for transfers into the scheme
- Exit costs and charges

3 Methodology

The survey comprised an online self completion questionnaire completed by 226 trust-based schemes, comprising 217 single-employer schemes and nine non-associated multi-employer schemes, commonly known as ‘master trusts’.

3.1 Sampling approach

The sample for this research was extracted from the Pension Regulator’s database and consisted of 2,173 DC and hybrid schemes with 12 or more members. It included both single-employer schemes and master trusts. The sample was then de-duplicated to ensure the same company/trustee was not contacted more than once, and any records with insufficient contact details (e.g. no email address) were removed. This sample processing stage resulted in a final sample of 1,866 schemes.

3.2 Fieldwork

All potential respondents were sent a survey invitation email that explained the purpose of the research, provided reassurances about its bona fide and confidential nature and introduced OMB Research as an independent market research agency that had been appointed by the regulator to conduct the survey. The email contained a unique web-link for the scheme to access the survey as well as a link to a printable version of the survey questionnaire so that potential respondents could see the information required and collate it prior to completing the survey online. This email was sent from the regulator’s Chief Executive.

Respondents came from a variety of roles: chair of trustees (31%), secretary to the board of trustees (22%), lay or professional trustee (19%), in-house pension administrator (15%), scheme manager (12%).

Fieldwork took place between 9 July and 14 August 2015.

Each respondent was asked to complete the survey about a pre-specified pension scheme. Screening questions were included to ensure that all interviewed schemes had DC members (either pure DC or hybrid), were active (not paid up, winding up or wound up), and had at least 12 members.

Reminder emails were sent periodically throughout fieldwork and a team of telephone interviewers also called respondents to check that they had received the email invitation and encourage respondents to complete the survey. Non-responders to the survey were called an average of six times during the fieldwork period to request / encourage participation. The final response rate achieved was among schemes was 15%, which represents 87% of memberships. For further details please see Appendix A of this report).

3.3 Weighting

The final data was weighted to the overall scheme universe (as shown in the ‘population’ row in Table A.1 in Appendix A) to account for the differing participation levels by type/size of scheme.

3.4 Analysis

We have analysed the results in two ways:

- Among pension schemes, that is the sample of 226 schemes interviewed, weighted at the analysis stage to be representative of the scheme universe. Single-employer schemes have been analysed as a group and also as subgroups of size, namely small schemes (those with 12-99 members), medium (100-999 members) and large single-employer schemes (1,000 or more members).
- By the number of members in the pension scheme universe. These findings represent 87% of members of defined contribution schemes. Of those schemes interviewed 223 are included in this analysis while three are not[16].

Note that the master trusts who took part in the survey account for almost half (47%) of members in the member universe covered by the survey, while a further 46% of members are accounted for by large single-employer schemes (i.e. those with 1,000 or more members). Therefore the survey findings in terms of the number of members are determined almost wholly by these two types of schemes.

3.5 Reporting conventions

Throughout this report all the results shown are weighted. However, the base sizes shown in the various charts and tables refer to the unweighted base.

Results have been rounded to the nearest percentage point, which may mean that in the reporting some percentages may not add up to exactly 100%. For example, if there are 48.5% answering 'yes' and 51.5% answering 'no', these figures would be rounded up to 49% and 52%, totalling 101%. This explains the instances where commentary text does not match a graph or table to which it is referring.

[16] The three schemes not included in this analysis were three of the nine master trusts. These were excluded since the three (anonymous) schemes were not prepared to attribute their scheme to their responses. Given these schemes could potentially have very many or very few members, including them in the member data without knowing their scheme's size would mean that the accuracy of the survey findings expressed in terms of number of members could be spurious.

4 Survey findings

4.1 Decumulation options

4.1.1 Decumulation options available to members

As members have the right to transfer out of their scheme, where a member of a pension scheme is unable to access one or several of the decumulation options through their scheme, they can access all of them by using a specialist third party provider or insurer.

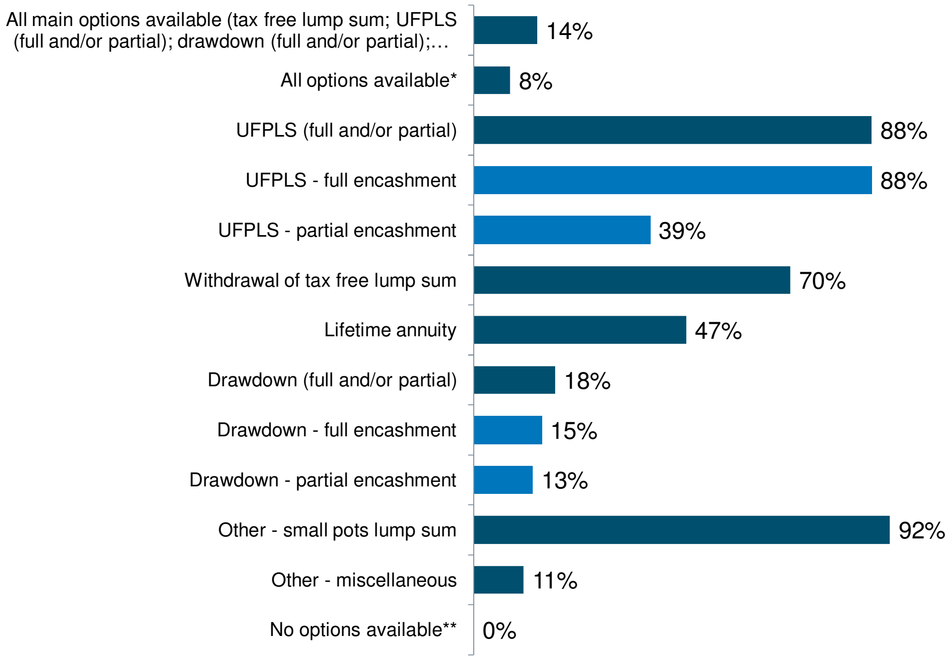
The survey asked schemes about the decumulation options that were available to members, either directly through the scheme or via a tie-in or other arrangement with a third party. Four main decumulation options were asked about: withdrawal of tax free lump sum, UFPLS, drawdown and lifetime annuity. Two of these options – UFPLS and drawdown – were asked in terms of both full and partial.

Figure 4.1.1.1 shows that, analysing the findings by members[17], UFPLS (full and/or partial) was the most common option available to members, (88%). Full UFPLS encashment was available to the same proportion (88%), while partial encashment was available to two-fifths (39%) of members.

Withdrawal of a tax free lump sum was available to two-thirds (70%) of members, while half (47%) had the option of taking a lifetime annuity.

[17] Members here refers to all scheme members (of any age).

Figure 4.1.1.1 Decumulation Options Available to Members



Base: All schemes used for member analysis (223)

*All options includes all seven options listed in the questionnaire: withdrawal of tax free lump sum; UFPLS full and partial encashment; drawdown full and partial encashment; lifetime annuity; small pots lump sum

**Less than 0.5% of members belonged to schemes that did not provide access to any decumulation options; after rounding this appears as 0%

Drawdown was much less likely to be available to members (18%), with full and partial encashment available to similar proportions (15% and 13% respectively).

A minority of members belonged to schemes providing access to all decumulation options (14%). Less than 0.5% of members belonged to schemes where no decumulation options were available (after rounding this appears as 0% on Figure 4.1.1.1).

From the scheme perspective (Table 4.1.1.1), the majority of schemes (93%) provided access to at least one decumulation and a small minority (14%) provided access to all four main decumulation options asked about[18].

The options that schemes were most likely to provide access to were withdrawal of a tax free lump sum (77%), and lifetime annuity (74%). Fewer schemes provided access to UFPLS (43%) or drawdown (31%).

[18] For the purpose of this analysis schemes qualified as providing access to both UFPLS and Drawdown if they made available either full or partial encashment for either option.

Table 4.1.1.1 Decumulation Options Available Among Schemes

	Total	Benefit type		Scheme structure				
				Single-employer				Master trust
		Pure DC	Hybrid	Total single-employer	Small (12-99)	Medium (100-999)	Large (1000+)	
Base: All schemes	*226*	*122*	*104*	*217*	*60*	*81*	*76*	*9*
All main options available *(tax free lump sum; UFPLS (full and/or partial); drawdown (full and/or partial); annuity)*	**14%**	**14%**	**15%**	**14%**	**11%**	**13%**	**22%**	**33%**
All options available*	**8%**	**7%**	**8%**	**7%**	**6%**	**6%**	**13%**	**33%**
At least one available option	**93%**	**89%**	**98%**	**93%**	**88%**	**94%**	**100%**	**100%**
Lifetime annuity	74%	67%	86%	74%	66%	77%	87%	56%
Withdrawal of tax free lump sum	77%	73%	84%	77%	73%	76%	86%	89%
UFPLS - any	43%	36%	57%	43%	21%	51%	78%	89%
- Full encashment	*43%*	*36%*	*57%*	*43%*	*21%*	*51%*	*78%*	*89%*
- Partial encashment	*18%*	*18%*	*20%*	*18%*	*11%*	*19%*	*31%*	*67%*
Drawdown - any	31%	35%	23%	31%	34%	25%	31%	56%
- Full encashment	*27%*	*30%*	*22%*	*27%*	*29%*	*24%*	*27%*	*56%*
- Partial encashment	*19%*	*22%*	*15%*	*19%*	*20%*	*17%*	*21%*	*56%*
Other	69%	60%	86%	68%	51%	80%	88%	100%
- Small pots lump sum	*65%*	54%	86%	65%	48%	75%	87%	100%
- Miscellaneous	*14%*	12%	17%	14%	9%	16%	21%	11%
No available options	**7%**	**11%**	**2%**	**8%**	**12%**	**6%**	**0%**	**0%**

**All options includes all seven options listed in the questionnaire: withdrawal of tax free lump sum; UFPLS full and partial encashment; drawdown full and partial encashment; lifetime annuity; small pots lump sum*

When considering the survey findings, we believe that there may be an issue of small schemes (in particular) not understanding some of the survey questions or the subject matter. For example 7% of schemes state that they did not provide access to any decumulation options[19], rising to 12% of small schemes. We also find it noteworthy that 30% of schemes do not offer withdrawal of a tax free lump sum. However, this may be explained by trustees who do not operate a formal tie-in arrangement paying a transfer value to an insurer who then pays both a tax free lump sum and other benefits.

[19] As shown in Figure 4.1.1.1, this 7% of schemes equates to less than 0.5% of memberships.

There were differences between scheme types in the decumulation options available. Master trusts were most likely to provide access to tax free lump sum (89% i.e. eight of the nine surveyed) and UFPLS (89%). Single-employer schemes were most likely to provide access to tax free lump sum (77%) and annuity (74%). Similarly, tax free lump sum (84%) and annuity (86%) were also most likely to be available in hybrid schemes.

There is a clear relationship between scheme size and decumulation options available; the larger the scheme the more likely it was to provide access to each of the options.

Of the decumulation options available to members, most were available within the scheme[20] (85%), with 15% available via a tie-in other arrangement with a third-party. Findings on the options available to members within their scheme and those available through a third party are shown in Appendix B.

4.1.2 Access to decumulation options and take-up

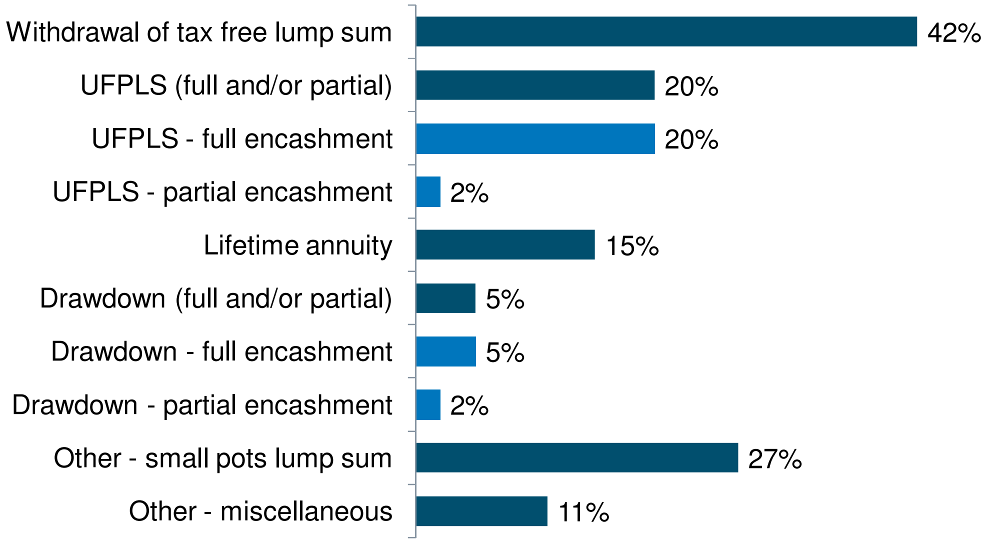
Schemes were asked to set out the number of members aged 55 or older in their scheme who had had access since 6 April 2015 to the decumulation options available. They were then asked to specify the number of members with access who had taken up each option.

A third of schemes (31%) said they had members who were eligible to access available decumulation options (i.e. these schemes had members who were aged 55 or over on 6 April 2015 or had turned 55 since that date). Three-fifths of schemes (61%) had no eligible members with access, and the remaining 7% did not have decumulation options available to members (as shown in Table 1.2.1.1.2). One interpretation of this data is that the DC occupational market is still evolving as many members, due to their age, are not currently facing decumulation choices. This may explain why some schemes have reported that they do not yet offer new decumulation options.

Analysing the findings by members[21], on average (mean) 42% of scheme members with access to the withdrawal of a tax free lump sum had taken up this option, as shown in Figure 4.1.2.1. Lower proportions took UFPLS (20%), an annuity (15%) and drawdown (5%).

[20] Within the scheme refers to options offered or paid by the scheme itself, as opposed to options offered through a third party.
[21] Scheme members here refers to members aged 55 or older who have had access to the scheme's decumulation options since 6 April 2015.

Figure 4.1.2.1 Proportion of Members With Access Taking Up Decumulation Options



Base: All schemes who had members with access to each option (Base)
UFPLS – Any (39), UFPLS – Full encashment (39), UFPLS – Partial encashment (13), Withdrawal of tax free lump sum (52), Lifetime annuity (55), Drawdown – Any (17) Drawdown – Full encashment (15), Drawdown – Partial encashment (8), Other – Small pots lump sum (52), Other – Miscellaneous (13)

4.1.3 Limits on UFPLS and drawdown

Schemes that provided uncrystallised funds pension lump sum (UFPLS) and drawdown encashments were asked if they placed total and/or yearly limits on the number of withdrawals they permitted to members wishing to access these options.

4.1.3.1 Limits on UFPLS encashments

Almost half (45%) of schemes providing access to UFPLS placed a limit on the member's total number of permitted withdrawals, while a higher proportion (54%) placed a limit on the yearly number of permitted UFPLS withdrawals. See Table 4.1.3.1.

Among those schemes imposing a total limit on UFPLS withdrawals, the *mean* permitted was 1.5, as it was among those imposing a yearly limit. The *median* limit on both the total and yearly number of withdrawals was 1.0. It should be noted that schemes often imposed either total or annual limits rather than both.

Eight of the nine master trusts provided access to UFPLS. One out of the eight (13%) imposed a limit on total withdrawals while half (50%) imposed limits on yearly withdrawals. The limit on total withdrawals imposed by the one master trust was one per year. The mean limit on yearly withdrawals was 6.8 and the median 11.0.

Single-employer schemes and hybrid schemes were more likely to place limits on withdrawals than master trusts. Almost half of single-employer schemes placed limits on total withdrawals (46%) and slightly more on yearly withdrawals (54%). The mean and median limits for single-employer schemes were, respectively, 1.5 and 1.0 for total withdrawals and 1.4 and 1.0 for yearly withdrawals.

Among hybrid schemes, over half set total limits (57%) and two-thirds set yearly limits (64%). The respective mean and median limits were 1.5 and 1.0 for total withdrawals and 1.1 and 1.0 for yearly withdrawals.

Of the thirteen small schemes surveyed, 17% (two schemes) reported that they placed limits on total withdrawals, with a limit of one withdrawal.

Table 4.1.3.1 Whether Limit on Total/Yearly Number of Permitted UFPLS Withdrawals

	Total	Benefit type		Scheme structure				
				Single-employer				Master trust
		Pure DC	Hybrid	Total single-employer	Small (12-99)	Medium (100-999)	Large (1000+)	
Base: All providing access to UFPLS	*125*	*60*	*65*	*117*	*13*	*44*	*60*	*8*
LIMIT ON TOTAL PERMITTED UFPLS WITHDRAWALS								
Yes	45%	35%	57%	46%	17%	47%	63%	13%
- Mean	*1.5*	*1.4*	*1.5*	*1.5*	*1.0*	*1.4*	*1.6*	*1.0*
- Median	*1.0*	*1.0*	*1.0*	*1.0*	*1.0*	*1.0*	*1.0*	*1.0*
No	55%	65%	43%	54%	83%	53%	37%	88%
LIMIT ON YEARLY PERMITTED UFPLS WITHDRAWALS								
Yes	54%	45%	64%	*54%*	18%	55%	74%	50%
- Mean	1.5	1.9	1.1	*1.4*	1.0	1.6	1.2	6.8
- Median	1.0	1.0	1.0	*1.0*	1.0	1.0	1.0	11.0
No	46%	55%	36%	*46%*	82%	45%	26%	50%

Further analysis shows that schemes that used a third party or bundled administrator were more likely to place a limit on the total number of UFPLS withdrawals than those that used an in-house administrator. However, there was no difference in this respect when comparing the number that placed a limit on yearly withdrawals.

4.1.3.2 Limits on drawdown encashments

A minority of schemes providing access to drawdown placed limits on either the total or yearly permitted number of withdrawals (13% and 18% respectively).

The mean limit of total permitted drawdown withdrawals was 2.4 compared to a mean of 3.4 yearly withdrawals. The median limit on the total and yearly number of withdrawals was 1.0. It should be noted that schemes often imposed either total or annual limits rather than both.

Half of master trusts (50%) imposed a limit on yearly withdrawals; none imposed a limit on total withdrawals. The mean and median limit on yearly withdrawals among master trusts was 12.0.

Single-employer schemes and hybrid schemes were more likely to place limits on withdrawals than master trusts. Less than a fifth of single-employer schemes placed limits on total withdrawals (13%) and yearly (18%) withdrawals. The mean and median limits were similar for both total and yearly: mean of 2.4 for total and 2.8 for annual; median of 1.0 for both total and yearly.

Over a quarter (28%) of hybrid schemes surveyed placed limits on total drawdown withdrawals and slightly more (33%) on yearly withdrawals. The mean and median limits were similar for both total and yearly: mean of 1.7 for yearly and 2.2 for annual; median of 1.0 for both total and yearly.

None of the small schemes surveyed placed limits on either the total or yearly number of drawdown withdrawals.

Table 4.1.3.2 Whether Limit on Total/Yearly Number of Permitted Drawdown Withdrawals

	Total	Benefit type		Scheme structure				
				Single-employer				Master trust
		Pure DC	Hybrid	Total single-employer	Small (12-99)	Medium (100-999)	Large (1000+)	
Base: All providing access to drawdown	*69*	*43*	*26*	*64*	*20*	*21*	*23*	*5*
LIMIT ON TOTAL PERMITTED DRAWDOWN WITHDRAWALS								
Yes	13%	8%	28%	13%	0%	24%	31%	0%
- Mean	*2.4*	*3.2*	*1.7*	2.4	-	*1.0*	*3.8*	-
- Median	*1.0*	*1.0*	*1.0*	1.0	-	*1.0*	*1.0*	-
No	87%	92%	72%	87%	100%	76%	69%	100%
LIMIT ON YEARLY PERMITTED DRAWDOWN WITHDRAWALS								
Yes	18%	13%	33%	18%	0%	33%	21%	50%
- Mean	*3.4*	*4.6*	*2.2*	*2.8*	-	*4.0*	*1.6*	*12.0*
- Median	*1.0*	*1.8*	*1.0*	*1.0*	-	*1.0*	*1.6*	*12.0*
No	82%	87%	67%	82%	100%	67%	57%	50%

Whilst there are no significant differences when comparing administrator type, schemes with an unbundled structure were more likely to place a limit on the total number of permitted drawdown withdrawals.

4.1.4 Future intentions for decumulation options

Schemes providing access to decumulation options were asked if they were considering with their sponsoring employer(s) or provider whether to make future changes to the options available.

The majority of schemes (87%) providing access to options said they were not considering changing them, as shown in Table 4.1.4.1. Type and size of scheme did not appear to impact whether or not a scheme was thinking about changing their decumulation options in the future.

Table 4.1.4.1 Whether Intend to Change Options Currently Available

	Total	Benefit type		Scheme structure				
				Single-employer				Master trust
		Pure DC	Hybrid	Total single-employer	Small (12-99)	Medium (100-999)	Large (1000+)	
Base: Schemes providing access to at least one decumulation option	*215*	*113*	*102*	*206*	*53*	*77*	*76*	*9*
Withdrawal of tax free lump sum	5%	2%	9%	4%	3%	8%	2%	11%
UFPLS – full encashment	4%	2%	8%	4%	1%	7%	7%	11%
UFPLS – partial encashment	1%	0%	3%	1%	1%	2%	1%	0%
Drawdown – full encashment	2%	2%	2%	2%	2%	2%	2%	11%
Drawdown – partial encashment	2%	2%	2%	2%	3%	1%	0%	11%
Lifetime annuity	3%	1%	5%	3%	1%	5%	2%	0%
Other - Small pots lump sum	5%	3%	9%	5%	3%	9%	3%	11%
Other - Miscellaneous	1%	1%	1%	1%	0%	2%	3%	0%
No – do not intend to change options currently available	**87%**	**89%**	**83%**	**87%**	**91%**	**83%**	**85%**	**78%**

Schemes were asked if they intended to make available in the future any of the options not currently available. Table 4.1.4.2 shows the results. Eight per cent of schemes were already providing access to all of the detailed options asked about.

Looking across all schemes, a quarter (24%) planned to make decumulation options available in the future that were not currently available. The majority of schemes said they were not intending to make further decumulation options available to members other than those they already available (62%), while a minority of schemes (6%) did not provide access to any decumulation options and said they did not intend to make options available in the future.

Of the nine master trusts surveyed, a third (33% i.e. three of the nine) intended to make at least one decumulation option available that was not currently available, and the same proportion (33%) did not intend to make any additional options available. The remaining third already provided access to all options.

Two-thirds of single-employer schemes (63%) and hybrid schemes (65%) did not intend to make available more options.

Drawdown and UFPLS were the options most likely to be introduced in the future, with between 8-10% of schemes intending to make them available. Generally, the larger the scheme the more likely it was to plan on making drawdown and UFPLS available in the future.

Table 4.1.4.2 Whether Intend to Make Options Available That Are Not Currently Available

	Total	Benefit type		Scheme structure				
				Single-employer				Master trust
		Pure DC	Hybrid	Total single-employer	Small (12-99)	Medium (100-999)	Large (1000+)	
Base: All schemes	*226*	*122*	*104*	*217*	*60*	*81*	*76*	*9*
Intended to make available at least one option not currently available	**24%**	**23%**	**26%**	**24%**	**18%**	**27%**	**29%**	**33%**
Withdrawal of tax free lump sum	5%	5%	5%	5%	5%	6%	2%	11%
UFPLS – full encashment	9%	8%	11%	9%	7%	13%	8%	0%
UFPLS – partial encashment	8%	6%	12%	8%	3%	11%	15%	22%
Drawdown – full encashment	9%	7%	12%	8%	2%	10%	18%	33%
Drawdown – partial encashment	10%	8%	12%	9%	5%	11%	17%	33%
Lifetime annuity	1%	1%	0%	1%	2%	0%	0%	11%
Other - Small pots lump sum	6%	8%	2%	6%	4%	10%	4%	0%
No – did not intend to make available any in addition to those already available	**62%**	**61%**	**65%**	**63%**	66%	61%	58%	33%

No – did not make any options available and did not intend to make any available	**6%**	**9%**	**1%**	**6%**	10%	5%	0%	0%
All options already available	**8%**	**7%**	**8%**	**7%**	6%	6%	13%	33%

Schemes were also asked if their sponsoring employer or provider were intending to develop any other options (excluding those already asked about) for individuals seeking to access their pension savings. A minority of schemes (4%) said that they were intending to do so. There were no differences reported here between size and type of scheme.

4.1.5 Steps to improve access to decumulation options

Survey respondents were asked what steps could be taken to improve member access to the flexible decumulation options introduced in April 2015 and improve how quickly these steps could be implemented. This information was gathered via an open question approach, and respondents' answers have been coded into common themes, shown in Table 4.1.5.1.

A fifth of schemes (22%) said that nothing was required or that the question was not applicable to them and a similar proportion (21%) responded 'don't know' or did not give an answer to this question. Where schemes giving one of these responses gave details, typical responses were that it was too early for them to comment as the market had not developed sufficiently or that they did not have any experience of members attempting to access decumulation options.

A small minority (4%) felt that the current system was satisfactory.

The most commonly mentioned action that schemes felt would improve member access was providing appropriate advice and information to members (named by 15%). Other actions were mentioned by less than 10% of schemes and included: ensuring there are options available to members (8%), greater cost-effectiveness (6%) and clearer/stricter regulations/legislation (6%).

The pattern of responses was similar by scheme type and size.

Table 4.1.5.1 Steps to Improve Member Access to the Flexible Decumulation Options – Top Mentions (4 %+)

	Total	Benefit type		Scheme structure				
				Single-employer				Master trust
		Pure DC	Hybrid	Total single-employer	Small (12-99)	Medium (100-999)	Large (1000+)	
Base: All schemes	*226*	*122*	*104*	*217*	*60*	*81*	*76*	*9*
Provide appropriate advice/information/education	15%	16%	12%	15%	14%	13%	18%	22%
Ensuring there are options available to members	8%	7%	8%	8%	5%	6%	16%	11%
Greater cost-effectiveness	6%	4%	8%	6%	5%	5%	7%	11%
Clearer/stricter regulations/legislation	6%	7%	3%	6%	7%	2%	9%	0%
More providers/products	4%	3%	6%	4%	1%	6%	7%	0%
Member communication	4%	4%	5%	4%	1%	9%	3%	0%
Current system is satisfactory	4%	5%	2%	4%	2%	6%	4%	11%
Greater flexibility	4%	4%	4%	4%	3%	3%	6%	0%
Nothing/Not applicable	*22%*	*23%*	*20%*	22%	*26%*	*22%*	*12%*	*0%*
Don't know/No answer	*21%*	*23%*	*17%*	21%	*27%*	*14%*	*20%*	*0%*

Only a minority of schemes (15%) volunteered a timeframe in their response to this question. Among those that specified a timeframe, 38% thought improvements should be implemented as soon as possible and a further 42% suggested up to one year for these changes to be made.

4.2 Transfer process

We asked about transfer arrangements applied by the scheme generally, not only specifically about accessing decumulation options. The survey questions on transfers were answered by schemes in relation only to members aged 55 or older after 6 April 2015.

The maximum time periods for transfers are set out in legislation. Generally speaking, for members of DC schemes, trustees must pay the transfer within six months of the member's request for the payment of a transfer value. The position for other benefits such as safeguarded benefits or cash balance benefits is different and, generally, trustees must pay the transfer within nine months of the member's request.

4.2.1 Average and longest time taken to transfer member benefits

Schemes were asked to give the average transfer time taken to transfer member benefits out of their scheme, from the time of the initial request to the point the funds leave the scheme.

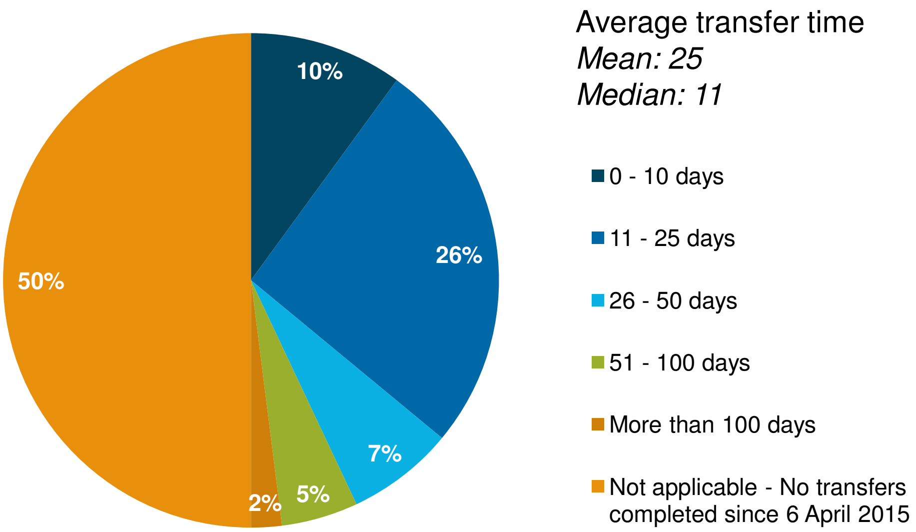
Around a quarter of schemes (27%) had completed a transfer-out since 6 April 2015. This same proportion (27%) of single-employer schemes had completed a transfer. See Table 4.2.1.1. Of the master trusts surveyed, 67% (i.e. six of the nine) had completed a transfer since this date.

Larger schemes were more likely to have completed transfers (61%) than smaller schemes (10%).

Analysing the findings by members[22], the average transfer time taken across the member universe was 25 days (mean), as shown in Figure 4.2.1.1. The median time was 11 days.

[22] Members here refers to members who were aged 55 or older on 6 April 2015, or have turned 55 since this date.

Figure 4.2.1.1 Average Transfer Time Analysing the Findings by Members



Base: All schemes used for member analysis (223)

From a scheme perspective, among schemes that had completed transfers-out, the average transfer time taken was 39 days (mean); the median was 30 days. For master trusts the mean was 20 and the median 11. For single-employer schemes the mean and median number of days was 40 and 30 respectively, and for hybrids, 41 and 40.

Table 4.2.1.1 Average Time Taken to Transfer Member Benefits Out of Schemes

	Total	Benefit type		Scheme structure				
				Single-employer				
		Pure DC	Hybrid	Total single-employer	Small (12-99)	Medium (100-999)	Large (1000+)	Master trust
Base: All schemes	*226*	*122*	*104*	*217*	*60*	*81*	*76*	*9*
Had completed a transfer out	27%	23%	34%	27%	10%	29%	61%	67%
0-10 days	7%	6%	9%	6%	2%	6%	19%	33%
11-25 days	6%	6%	7%	6%	2%	8%	13%	22%
26-50 days	6%	5%	6%	6%	2%	8%	11%	0%
51-100 days	6%	4%	11%	6%	5%	6%	11%	11%
100+ days	2%	2%	2%	2%	0%	1%	8%	0%
Not applicable – no transfers completed since 6th April 2015	73%	77%	66%	73%	90%	71%	39%	33%
Mean number of days	39	38	41	40	41	39	40	20
Median number of days	30	25	40	30	30	30	25	11

Schemes were also asked to report the longest time taken to transfer a member's benefits out of their scheme.

From a scheme perspective, among schemes that had completed transfers-out, the longest transfer time taken was 62 days (mean); the median was 35 days. The mean was so much higher than the median because of a small but significant proportion (5%) of schemes whose longest transfer was more than 100 days.

For master trusts the mean was 35 and the median 28, for single-employer schemes it was 62 and 35 respectively, and for hybrid schemes 75 and 60.

Table 4.2.1.2 Longest Time Taken to Transfer Member Benefits Out of Schemes

	Total	Benefit type		Scheme structure				
				Single-employer				Master trust
		Pure DC	Hybrid	Total single-employer	Small (12-99)	Medium (100-999)	Large (1000+)	
Base: All schemes	*226*	*122*	*104*	*217*	*60*	*81*	*76*	*9*
Had completed a transfer out	27%	23%	34%	27%	10%	29%	61%	67%
0-10 days	4%	3%	6%	4%	2%	3%	12%	0%
11-25 days	6%	6%	4%	5%	2%	6%	12%	22%
26-50 days	5%	6%	4%	5%	2%	7%	8%	33%
51-100 days	7%	5%	11%	7%	5%	10%	9%	11%
100+ days	5%	3%	9%	5%	0%	3%	18%	0%
Not Applicable – no transfers completed since 6th April 2015	73%	77%	67%	74%	90%	71%	41%	33%
Mean number of days	62	51	75	62	42	50	80	35
Median number of days	35	30	60	35	30	47	35	28

4.2.2 Service Level Agreement transfer time and success rate

Schemes were asked whether they use a third party administrator (TPA) or bundled provider for any aspect of their scheme administration. Those that did were asked what the target transfer time was in any service level agreement (SLA) the scheme has with the TPA or bundled provider.

The majority (83%) of schemes used a third party administrator or bundled provider for at least some aspects of scheme administration. Most master trusts (67% i.e. six of the nine surveyed) used one, as did 83% of single-employer schemes and 91% of hybrid schemes. Large schemes were more likely to use one compared with small (92% vs. 66%).

Table 4.2.2.1 shows that, among schemes that used a third party administrator or bundled provider, two-fifths (39%) did not have a target transfer time. A fifth of these schemes (22%) had a target transfer of ten days or fewer.

Most master trusts (67%) had a target time, which ranged between six and 20 days. Two-fifths (39%) of single-employer schemes had a target time, and the target time ranged widely, from 0-5 days (8% reported this) to 30 or more days (4%). Half (53%) of hybrid schemes had a target time, with the target ranging widely here also, from 0-5 days (12% reported this) to 30 or more days (4%).

Small schemes (79%) were less likely to have a target transfer time compared to medium (53%) and large schemes (40%).

Table 4.2.2.1 Target Transfer Time in Service Level Agreement with Third Party Administrator or Bundled Provider

	Total	Benefit type		Scheme structure				
				Single-employer				
		Pure DC	Hybrid	Total single-employer	Small (12-99)	Medium (100-999)	Large (1000+)	Master trust
Base: All using TPA or bundled provider	*192*	*99*	*93*	*186*	*47*	*70*	*69*	*6*
Have a target time	39%	30%	53%	39%	21%	47%	60%	67%
0-5 days	8%	5%	12%	8%	3%	11%	14%	0%
6-10 days	14%	12%	16%	14%	5%	21%	19%	33%
11-20 days	9%	5%	14%	8%	5%	5%	21%	33%
21-30 days	5%	4%	6%	5%	6%	5%	1%	0%
30+ days	4%	4%	4%	4%	2%	6%	5%	0%
Not applicable – do not have a target transfer time	61%	70%	47%	61%	79%	53%	40%	33%

Where an agreed target transfer time was in place, schemes were asked to estimate the percentage of transfers out of their scheme that had taken longer than the SLA target transfer time.

The majority (76%) of schemes estimated that 20% or fewer transfers had taken longer than the agreed time. One in twenty (5%) reported that over 20% of transfers exceeded the target time. A significant minority (19%) were not able to provide an estimate of this percentage, and this was highest among large and medium schemes: 30% and 19% respectively.

Table 4.2.2.2 Percentage of Transfers That Have Taken Longer Than Target Transfer Time in Service Level Agreement

	Total	Benefit type		Scheme structure				
				Single-employer				Master trust
		Pure DC	Hybrid	Total single-employer	Small (12-99)	Medium (100-999)	Large (1000+)	
Base: All using TPA or bundled provider	*90*	*39*	*51*	*86*	*11*	*32*	*43*	*4*
0-20%	76%	72%	80%	76%	96%	79%	58%	100%
21-40%	1%	1%	0%	1%	0%	0%	2%	0%
41-60%	2%	0%	4%	2%	0%	0%	6%	0%
61-80%	0%	0%	0%	0%	0%	0%	0%	0%
81-100%	2%	0%	4%	2%	0%	2%	3%	0%
Don't know	19%	27%	12%	19%	4%	19%	30%	0%

4.2.3 Transfers-in from existing members from DC and DB schemes

Schemes were asked whether they permit existing members to transfers in benefits from DC and/or DB schemes.

Almost two-thirds (64%) of schemes allowed existing members aged 55 and over to transfer in benefits from a DC scheme; just over a third (38%) always allowed this, while a smaller proportion (26%) allowed this but not where an existing member requested a transfer of safeguarded benefits[23]. See Table 4.2.3.1.

The majority of master trusts (89% i.e. eight of the nine surveyed) did allow for transfers in from DC in at least some circumstances. Two-thirds (64%) of single-employer schemes did so, as did a similar proportion of hybrids (67%).

As scheme size increased, so did the likelihood of existing members being allowed to transfer-in benefits from a DC scheme. Over half (53%) of large schemes <u>always</u> allowed a transfer in of existing benefits from a DC scheme compared to a third (32%) of small schemes.

Half (50%) of small schemes <u>never</u> allowed a transfer in of existing benefits from a DC scheme.

Open schemes and those used for automatic enrolment were also more likely to allow transfers in from a DC scheme.

[23] For example, a Guaranteed Annuity Rate in an otherwise DC scheme.

Table 4.2.3.1 Whether Existing Members Are Permitted to Transfer In Benefits from Defined Contribution Schemes

	Total	Benefit type		Scheme structure				
				Single-employer				Master trust
		Pure DC	Hybrid	Total single-employer	Small (12-99)	Medium (100-999)	Large (1000+)	
Base: All schemes	*226*	*122*	*104*	*217*	*60*	*81*	*76*	*9*
Yes - net	64%	63%	67%	64%	50%	72%	83%	89%
- *Yes – always*	*38%*	*40%*	*34%*	*38%*	*32%*	*37%*	*53%*	*56%*
- *Yes – but not safeguarded benefits*	*26%*	*22%*	*33%*	*26%*	*18%*	*35%*	*30%*	*33%*
No	36%	37%	33%	36%	50%	28%	17%	11%

As can be seen by comparing Table 4.2.3.2 with Table 4.2.3.1, a smaller proportion of schemes allowed existing members to transfer in benefits from DB schemes than from DC schemes (52% vs. 64% respectively). A quarter (28%) always allowed this and a similar proportion (24%) allowed this but not where an existing member requested a transfer of safeguarded benefits.

As was the case with transfers in from DC schemes, the majority of master trusts (89% i.e. eight of the nine surveyed) permitted this, in at least some circumstances. Half (52%) of single-employer schemes did so and a similar proportion of hybrids (48%) did.

As was the case with transfers in from DC schemes, larger schemes were more likely to permit members to transfer in from a DB scheme.

Table 4.2.3.2 Whether Existing Members Are Permitted to Transfer In Benefits from Defined Benefit Schemes

	Total	Benefit type		Scheme structure				
				Single-employer				Master trust
		Pure DC	Hybrid	Total single-employer	Small (12-99)	Medium (100-999)	Large (1000+)	
Base: All schemes	*226*	*122*	*104*	*217*	*60*	*81*	*76*	*9*
Yes - net	52%	54%	48%	52%	41%	55%	71%	89%
- *Yes – always*	*28%*	*31%*	*22%*	*28%*	*25%*	*25%*	*40%*	*33%*
- *Yes – but not safeguarded benefits*	*24%*	*23%*	*26%*	*24%*	*15%*	*31%*	*31%*	*56%*
No	48%	46%	52%	48%	59%	45%	29%	11%

4.2.4 Transfers-in from new members from DC and DB schemes

Schemes were also asked whether they permit new members to transfer in benefits from DC and/or DB schemes.

As can be seen from Table 4.2.4.1, two-thirds (63%) of schemes allowed new members to transfer in benefits from DC schemes. This is almost identical to the proportion that allowed existing members to do this (as set out in section 4.2.3).

The majority of master trusts (89% i.e. eight of the nine surveyed) did allow for transfers in from DC schemes in at least some circumstances. Two-thirds (63%) of single-employer schemes did so, as did a similar proportion of hybrids (67%).

Just over a third (37%) always allowed new members to transfer in benefits from DC schemes, while a smaller proportion (26%) allowed this but not a new member requested a transfer of safeguarded benefits.

As scheme size increased, the number of schemes that allowed new members to transfer in benefits also increased. As seen for existing members, open schemes and those used for automatic enrolment were more likely to allow transfers-in from a DC scheme for new members.

Table 4.2.4.1 Whether New Members Are Permitted to Transfer-In Benefits From Defined Contribution Schemes

	Total	Benefit type		Scheme structure				
				Single-employer				Master trust
		Pure DC	Hybrid	Total single-employer	Small (12-99)	Medium (100-999)	Large (1000+)	
Base: All schemes	*226*	*122*	*104*	*217*	*60*	*81*	*76*	*9*
Yes - net	63%	61%	67%	63%	50%	70%	79%	89%
- *Yes – always*	37%	38%	35%	37%	33%	36%	48%	44%
- *Yes – but not safeguarded benefits*	26%	23%	32%	26%	18%	34%	31%	44%
No	37%	39%	33%	37%	50%	30%	21%	11%

Comparing Table 4.2.4.2 with Table 4.2.4.1 shows a smaller proportion of schemes allowed new members to transfer in benefits from DB schemes (46%), as opposed to DC schemes (63% as set out earlier in this section). A quarter (28%) always allowed new members to transfer in benefits from DB schemes, while a fifth (19%) allowed this but not where a new member requested a transfer of safeguarded benefits.

The majority of master trusts (78% i.e. seven of the nine surveyed) did allow for transfers in from DB schemes in at least some circumstances. Half (46%) of single-employer schemes did so, as did a similar proportion of hybrids (45%).

The same relationship is evident here as is seen with existing members, i.e. between the likelihood of permitting a new member to transfer in and scheme size, with larger schemes being more likely to permit this.

Table 4.2.4.2 Whether New Members Are Permitted to Transfer In Benefits From Defined Benefit Schemes

	Total	Benefit type		Scheme structure				
				Single-employer				Master trust
		Pure DC	Hybrid	Total single-employer	Small (12-99)	Medium (100-999)	Large (1000+)	
Base: All schemes	*226*	*122*	*104*	*217*	*60*	*81*	*76*	*9*
Yes - net	46%	47%	45%	46%	37%	46%	66%	78%
- *Yes – always*	28%	31%	21%	27%	29%	19%	38%	44%
- *Yes – but not safeguarded benefits*	19%	16%	24%	19%	8%	27%	29%	33%
No	54%	53%	55%	54%	63%	54%	34%	22%

4.2.5 Informing on right to transfer benefits

Schemes were asked whether, when they informed members about their rights to transfer their benefits, they did this in line with statutory requirements only or whether they also communicated this by other means. Table 4.2.5.1 shows the findings.

The majority (79%) of schemes informed members about their right to transfer in line with statutory requirements but did not do anything further. A minority (9%) supplemented the statutory requirements with additional newsletters, booklets or leaflets to let their members know their rights. Other additional methods schemes used to inform members were online services, provision of advice, meetings, information packs and announcements or reports.

A third (33%) of master trusts said they supplemented the statutory requirements, most commonly with newsletters/booklets/leaflets (22%). A fifth of single-employer schemes (20%) supplemented the statutory requirements, while a quarter (25%) of hybrid schemes did so.

Larger schemes (34%) were more likely than medium (20%) and small schemes (15%) to provide additional support beyond their statutory requirements.

Table 4.2.5.1 How Schemes Communicate with Members About Their Rights to Transfer Their Benefits

	Total	Benefit type		Scheme structure				
				Single-employer				Master trust
		Pure DC	Hybrid	Total single-employer	Small (12-99)	Medium (100-999)	Large (1000+)	
Base: All schemes	*226*	*122*	*104*	*217*	*60*	*81*	*76*	*9*
In line with statutory requirements only	**79%**	**81%**	**75%**	**79%**	**83%**	**80%**	**66%**	**67%**
Supplemented statutory requirements	**20%**	**18%**	**25%**	**20%**	**15%**	**20%**	**34%**	**33%**
- *Newsletters/ booklets/leaflets*	9%	5%	15%	9%	4%	9%	19%	22%
- *Online services*	2%	2%	1%	2%	0%	1%	6%	11%
- *Advice is available*	2%	3%	0%	2%	3%	1%	0%	0%
- *Meetings*	1%	2%	0%	1%	2%	1%	0%	0%
- *Information packs*	1%	0%	2%	1%	0%	2%	1%	0%
- *Announcements/reports*	0%	0%	1%	0%	0%	0%	2%	0%
- *Other*	1%	0%	2%	1%	0%	2%	1%	0%
Don't know/Not applicable	1%	1%	0%	1%	2%	0%	0%	0%

4.2.6 Steps to improve transfer process

Schemes were asked what steps could be taken to improve the efficient operation of the transfer process in connection with accessing decumulation options. This information was gathered via an open question approach, and respondents' answers have been coded into common themes, shown in Table 4.2.6.1.

A third of schemes (34%) either said that they didn't know or did not provide an answer on how the process could be improved. Where this answer was qualified, schemes often said it was too early to comment and they did not have enough experience to comment.

A quarter (25%) said either that no steps could be taken or that the question was not applicable to their scheme. One in ten (10%) felt that the current system was satisfactory.

While only a minority of respondents made concrete suggestions for improvement, one in ten (10%) felt that standardisation and simplification in the industry would improve the efficient operation of the transfer process. Master trusts were more likely than single-employer schemes to mention this (22% vs. 10%). One in twenty (4%) highlighted a need for appropriate information, advice and education to be provided.

Table 4.2.6.1 Steps to Improve Efficient Operation of the Transfer Process in Connection with Accessing Decumulation Options – Top Mentions (4 %+)

	Total	Benefit type		Scheme structure				
				Single-employer				Master trust
		Pure DC	Hybrid	Total single-employer	Small (12-99)	Medium (100-999)	Large (1000+)	
Base: All schemes	*226*	*122*	*104*	*217*	*60*	*81*	*76*	*9*
Standardisation/ simplification in the industry	10%	9%	11%	10%	7%	9%	17%	22%
Current system is satisfactory	10%	10%	9%	10%	11%	6%	13%	11%
Appropriate information/advice/education	4%	1%	9%	4%	2%	1%	11%	11%
Nothing/Not applicable	25%	26%	24%	25%	28%	28%	13%	11%
Don't know/No answer	34%	37%	29%	35%	37%	38%	23%	11%

Schemes were also asked what would be required in order to introduce a standardised transfer process for all schemes. This information was gathered via an open question approach, and respondents' answers have been coded into common themes, shown in Table 4.2.6.2.

The most commonly mentioned suggestion (16%) was that the process would need to be as simple and consistent as possible. A similar proportion (13%) also stated that there would need to be good provision of appropriate guidelines and information or advice. Master trusts were more likely than single-employer schemes to cite both these reasons.

Other notable comments were that all schemes and providers would need to be in agreement (6% mentioned this) and that any attempt at standardisation would have to take account of the fact that not all schemes were the same (4%). Industry-wide timescales (4%) and clear regulation or legislation (4%) were also mentioned.

Over a third of schemes (38%) said that they didn't know or did not provide an answer to the question and a further 9% answered that the question was not applicable to their scheme.

Table 4.2.6.2 What Would Be Required to Introduce a Standardised Transfer Process For All Schemes – Top Mentions (4 %+)

	Total	Benefit type		Scheme structure				
				Single-employer				Master trust
		Pure DC	Hybrid	Total single-employer	Small (12-99)	Medium (100-999)	Large (1000+)	
Base: All schemes	*226*	*122*	*104*	*217*	*60*	*81*	*76*	*9*
Standardised/simple processes	16%	16%	17%	16%	18%	14%	13%	56%
Provision of appropriate guidelines/information /advice	13%	12%	15%	13%	11%	11%	19%	44%
All schemes/providers would need to agree	6%	6%	6%	6%	8%	5%	2%	33%
Must accept that there are differences between schemes	4%	2%	7%	4%	0%	7%	7%	11%
Industry-wide timescales	4%	2%	8%	4%	2%	6%	8%	0%
Clear regulation/legislation	4%	4%	3%	4%	4%	3%	4%	0%
Don't know/No answer	38%	43%	28%	38%	41%	43%	24%	0%
Nothing/Not applicable	9%	10%	7%	9%	11%	7%	7%	22%

In the survey schemes were asked whether there were potential savings, process improvements or improved member satisfaction to be gained from developing a standardised approach to pension transfers.

The most common suggestion (by 17% of schemes) was that the process would be streamlined which would help save time and money. Other positive comments were that this would lead to higher member satisfaction (7%), there would be cost savings (6%), members would have better knowledge (4%) and it would be easy to understand and follow (4%).

Around one in ten (8%) of schemes were more circumspect and said that they didn't think a standardised approach to transfers would have benefits. A further 4% expressed doubts as to whether it would be beneficial or even possible.

Over a quarter of schemes (28%) said that they didn't know or did not provide an answer to the question and a further 8% and said that the question was not applicable to their scheme.

Table 4.2.6.3 Are There Potential Savings, Process Improvements or Improved Member Satisfaction to be Gained From a Standardised Transfer Process – Top Mentions (4 %+)

	Total	Benefit type		Scheme structure				
				Single-employer				Master trust
		Pure DC	Hybrid	Total single-employer	Small (12-99)	Medium (100-999)	Large (1000+)	
Base: All schemes	*226*	*122*	*104*	*217*	*60*	*81*	*76*	*9*
Process would be streamlined	17%	18%	16%	17%	18%	17%	15%	33%
No - unspecified	8%	5%	13%	8%	7%	10%	4%	0%
Improve member satisfaction	7%	8%	5%	7%	7%	3%	14%	0%
Costs savings	6%	5%	7%	6%	3%	8%	8%	0%
Yes - unspecified	4%	5%	4%	4%	4%	6%	2%	11%
Members would have better knowledge	4%	4%	5%	4%	2%	6%	6%	22%
Might not be beneficial/possible	4%	5%	2%	4%	2%	6%	6%	11%
It should be easy to understand and follow	4%	3%	5%	3%	4%	4%	2%	22%
Transparency is important	4%	5%	1%	4%	3%	4%	3%	0%
Not applicable	8%	9%	6%	8%	13%	4%	3%	11%
Don't know/No answer	28%	30%	25%	28%	30%	29%	23%	0%

4.2.7 Perceived risks to members of significant changes to transfer process

Finally on transfers, schemes were asked to identify whether they thought there would be any risks to members as a result of significant changes to the transfer process. The findings are shown in Table 4.2.7.1.

Approaching a third (30%) did not feel that there would be any risks to members, highest among small schemes (44%), while a minority (5%) said it would depend on the changes as to what the risks might be.

Over a quarter of schemes (26%) said that they didn't know or did not provide an answer.

The most commonly identified risk was that of pension scams or pension fraud for members (11%), although small schemes were less likely to cite this (4%). Other responses also related to member protection and included a risk of members making a bad decision (6%), that members should seek or be offered advice and guidance (5%) and members should be made aware of the consequences (4%).

Table 4.2.7.1 Would significant changes to the transfer process present any particular risk to members, and what are these risks? – Top Mentions (4%+)

	Total	Benefit type		Scheme structure				
				Single-employer				Master trust
		Pure DC	Hybrid	Total single-employer	Small (12-99)	Medium (100-999)	Large (1000+)	
Base: All schemes	*226*	*122*	*104*	*217*	*60*	*81*	*76*	*9*
Risk of pension scams/fraud	11%	9%	14%	11%	4%	14%	21%	22%
Members might make a bad decision	6%	6%	6%	6%	6%	2%	12%	11%
Members should seek/be offered advice/guidance	5%	5%	6%	5%	4%	4%	12%	11%
It depends on the changes	5%	3%	8%	5%	0%	11%	7%	0%
Members should be aware of the consequences	4%	6%	1%	4%	5%	2%	3%	33%
No risks/Not applicable	30%	32%	25%	30%	44%	21%	13%	22%
Don't know/No answer	26%	30%	18%	26%	26%	28%	23%	0%

4.3 Requirements to take advice and supporting members to get advice

Schemes were asked whether or not members were required to take independent financial advice before transferring out of the scheme to access decumulation options and also regarding transferring into the scheme.

It was made clear to respondents that they were being asked to provide answers to these and other questions on advice and support in relation to members who were aged 55 or over on 6 April 2015, or who had turned 55 since that date.

4.3.1 Taking advice before transferring out to access decumulation options

A third (33%) of schemes required all members to take independent financial advice before transferring out and a further 14% required certain members to do so. Almost half of schemes (44%) did not require members to take independent financial advice before transferring out.

One of the nine master trusts (11%) required all members to take advice before transferring out. The figure was higher for a single-employer schemes (33%), with a further 14% requiring certain members to do so. A quarter of hybrid schemes (26%) required all members to take advice with a further similar proportion (31%) stipulating that certain members are required to do so. Small schemes were most likely to report that they require all members to take advice (44%).

This seems a high figure, even taking into account the transfer of safeguarded benefits from hybrid schemes. We are aware that some schemes provide access to advice or guidance, which is confirmed elsewhere in this survey. It may also suggest a problem schemes are facing with interpretation of benefit structures, the definition of safeguarded benefits and the potential overlap with the definition of flexible benefits.

Table 4.3.1.1 Whether Members Are Required to Take Independent Financial Advice Before Transferring Out to Access Decumulation Options

	Total	Benefit type		Scheme structure				
				Single-employer				Master trust
		Pure DC	Hybrid	Total single-employer	Small (12-99)	Medium (100-999)	Large (1000+)	
Base: All schemes that provide access to at least one decumulation option	*226*	*122*	*104*	*217*	*60*	*81*	*76*	*9*
Yes – all members	33%	37%	26%	33%	44%	31%	13%	11%
Yes – certain members	14%	6%	31%	14%	10%	14%	26%	11%
No, none	44%	48%	37%	44%	34%	50%	56%	67%
Not applicable	8%	10%	6%	8%	12%	5%	5%	11%

Schemes that only required certain members to access independent financial advice before transferring out were asked what type of members were required to do so. This information was gathered via an open question approach, and respondents' answers have been coded into common themes, shown in Table 4.3.1.2. Note that due to the low base sizes the data is shown as the number of respondents (rather than percentages) and is unweighted.

The majority (25) of those responding referenced some aspect of legislative requirements i.e. when dealing with members with benefits in excess of £30,000 (19), when regulation/legislation applied (4) and those with safeguarded benefits (2). It was most likely to be hybrid schemes who gave these responses.

Table 4.3.1.2 Types of Members Required to Take Independent Financial Advice Before Transferring Out to Access Decumulation Options

	Total	Benefit type		Scheme structure				
				Single-employer				Master trust
		Pure DC	Hybrid	Total single-employer	Small (12-99)	Medium (100-999)	Large (1000+)	
Base: All requiring certain members to take independent financial advice	*35*	*9*	*26*	*34*	*7*	*10*	*17*	*1*
In accordance with legislation	25	6	19	19	7	6	11	1
- *Members with over £30,000*	*19*	*4*	*15*	18	*7*	*3*	*8*	*1*
- *Those* with safeguarded benefits	*2*	*1*	*1*	2	*0*	*1*	*1*	*0*
- *When regulation/legislation applies*	*4*	*1*	*3*	4	*0*	*2*	*2*	*0*
It is recommended/ available to all	3	2	1	3	0	2	1	0
Only in DB cases	2	0	2	2	0	0	2	0
It depends on provider	1	1	0	1	0	0	1	0
Other	4	0	4	4	0	2	2	0

In order to further understand the reasons for members being required to take independent financial advice before transferring out of a scheme, respondents were asked whether this was because of scheme rules in place or for any other reasons (Table 4.3.1.3). In almost a third of cases (31%) the scheme rules in place was the reason given for members being required to take this advice. The main other reasons that schemes mentioned were to protect/help members (20%), regulation and/or legislation (14%) and it being good/best practice (10%).

Table 4.3.1.3 Reason That Members Are Required to Take Advice Before Transferring Out to Access Decumulation Options

	Total	Benefit type		Scheme structure				
				Single-employer				Master trust
		Pure DC	Hybrid	Total single-employer	Small (12-99)	Medium (100-999)	Large (1000+)	
Base: All requiring members to take independent financial advice	*98*	*47*	*51*	*96*	*33*	*34*	*29*	*2*
Because of the scheme rules in place	31%	34%	27%	31%	37%	30%	11%	0%
To protect/help members	20%	26%	13%	20%	23%	13%	25%	50%
Regulation/Legislation	14%	2%	30%	14%	8%	17%	24%	0%
Best practice	10%	10%	9%	10%	10%	12%	5%	0%
It is recommended/available to all	2%	3%	1%	2%	0%	3%	5%	0%
Good governance	3%	3%	1%	3%	0%	8%	0%	0%
Only recommended to those with certain benefits	4%	0%	9%	4%	3%	3%	8%	0%
Safeguarding	2%	0%	5%	2%	0%	4%	3%	0%
Prudency	2%	3%	2%	2%	2%	0%	9%	0%
Recommended by the regulator	1%	0%	2%	1%	0%	0%	5%	0%
To protect trustees	1%	2%	0%	1%	0%	3%	0%	0%
It's down to the trustee	0%	0%	1%	0%	0%	0%	3%	0%
It depends on providers	0%	1%	0%	0%	0%	0%	3%	0%
Other	12%	17%	5%	12%	17%	10%	0%	0%

4.3.2 Taking advice before transferring in to access decumulation options

Schemes were also asked whether or not members were required to take independent financial advice before transferring into the scheme to access decumulation options.

One in six (17%) of schemes required all members to take independent financial advice before transferring into their schemes and a further 9% required certain members to do so. See Table 4.3.2.1.

A third (30%) did not require members to take independent financial advice before transferring in and almost half (44%) said that the question was not applicable to their scheme. Closed schemes were more likely to say that the question was not applicable than open schemes.

Table 4.3.2.1 Whether Members Are Required to Take Independent Financial Advice Before Transferring-In to Access Decumulation Options

	Total	Benefit type		Scheme structure				
				Single-employer				Master trust
		Pure DC	Hybrid	Total single-employer	Small (12-99)	Medium (100-999)	Large (1000+)	
Base: All schemes that provide access to at least one decumulation option	*215*	*113*	*102*	*206*	*53*	*77*	*76*	*9*
Yes – all members	17%	19%	15%	17%	20%	20%	8%	11%
Yes – certain members	9%	6%	13%	8%	1%	11%	17%	67%
No, none	30%	34%	24%	30%	29%	28%	37%	11%
Not applicable	44%	41%	48%	44%	*53*	*77*	*76*	*9*

Schemes that only required certain members to access independent financial advice before transferring in to access decumulation options were asked what type of members were required to do so. This information was gathered via an open question approach, and respondents' answers have been coded into common themes, shown in Table 4.3.2.2. Note that due to the low base sizes the data is shown as the number of respondents (rather than percentages) and is unweighted.

Over half (18) of those responding referenced some aspect of legislative requirements i.e. when dealing with members with benefits in excess of £30,000 (15), those with safeguarded benefits (2) and when regulation/legislation applies (1). A further seven specified that all DB members were required to take independent financial advice before transferring in.

Table 4.3.2.2 Types of Members Required to Take Independent Financial Advice Before Transferring-In to Access Decumulation Options

	Total	Benefit type		Scheme structure				
				Single-employer				Master trust
		Pure DC	Hybrid	Total single-employer	Small (12-99)	Medium (100-999)	Large (1000+)	
Base: All schemes requiring certain members to access independent financial advice	*30*	*15*	*15*	*24*	*1*	*9*	*14*	*6*
In accordance with legislation	18	11	7	16	1	5	7	5
- Members with over £30,000	*15*	*8*	*7*	10	*1*	*4*	*5*	*5*
- Those with safeguarded benefits	*2*	*2*	*0*	2	*0*	*1*	*1*	*0*
- When regulation/legislation applies	*1*	*1*	*0*	1	*0*	*0*	*1*	*0*
Only DB members	7	4	3	6	0	3	3	1
It's down to trustee discretion	2	0	2	2	0	1	1	0
Everyone is advised to	1	0	1	1	0	0	1	0
Other	2	0	2	2	0	0	2	0

In order to further understand the reasons for members being required to take independent financial advice before transferring in, schemes were asked whether this was because of scheme rules in place or for any other reasons. Table 4.3.2.3 shows the findings.

In over a third of cases (36%) the scheme had specific rules in place that stipulated when members were required to take this advice. The main other reasons that schemes mentioned were protecting members' interests (22%), regulation, legislation or law (11%), being good/best practice (6%) or based on good governance/recommendation by the regulator (6%).

Small schemes were comparatively more likely to point to the presence of scheme rules governing which types of members had to take independent financial advice.

Table 4.3.2.3 Reason That Members Are Required to Take Independent Financial Advice Before Transferring In to Access Decumulation Options

	Total	Benefit type		Scheme structure				
				Single-employer				Master trust
		Pure DC	Hybrid	Total single-employer	Small (12-99)	Medium (100-999)	Large (1000+)	
Base: All requiring members to take independent financial advice	*63*	*34*	*29*	*56*	*12*	*23*	*21*	*7*
Because of the scheme rules in place	36%	40%	30%	38%	54%	31%	22%	0%
To protect member interests	22%	22%	23%	23%	23%	25%	17%	14%
Regulation/Legislation /Law	11%	8%	16%	9%	0%	8%	32%	29%
Best practice	6%	3%	9%	6%	0%	8%	12%	0%
It's down to trustee discretion	4%	0%	9%	4%	0%	7%	4%	0%
Good governance/Recommendation	6%	7%	5%	3%	0%	13%	4%	0%
Recommended by regulator	2%	2%	2%	1%	0%	0%	4%	29%
Only when dealing with a certain amount	2%	1%	3%	1%	0%	3%	0%	14%
Company policy	1%	1%	0%	0%	0%	0%	0%	14%
Other	8%	12%	2%	8%	9%	5%	13%	0%

4.3.3 Transfers in from "insistent customers"

Schemes providing access to at least one decumulation option were asked whether or not they allowed insistent customers to transfer in to their scheme. Insistent customers were defined as "members who are acting against a recommendation from an independent financial advisor (IFA)".

Two-thirds of schemes (68%) did not permit transfers-in from "insistent customers". The figures were very similar for single-employer schemes (68%) and hybrid schemes (69%). Master trusts were least likely to refuse a transfer-in (44% i.e. four of the nine asked this question).

Within single-employer schemes, as scheme size decreases so does the likelihood of schemes reporting that they did not permit transfers-in from insistent customers:

80% of small schemes did not permit transfers-in, falling to 63% of medium schemes and 51% of large schemes.

Open schemes and those used for automatic enrolment were more likely to allow insistent customers to transfer in.

Table 4.3.3.1 Whether Transfers In From "Insistent Customers" Permitted

	Total	Benefit type		Scheme structure				
				Single-employer				Master trust
		Pure DC	Hybrid	Total single-employer	Small (12-99)	Medium (100-999)	Large (1000+)	
Base: All schemes that provide access to at least one decumulation option	*215*	*113*	*102*	*206*	*53*	*77*	*76*	*9*
Yes	32%	33%	31%	32%	20%	37%	49%	56%
No	68%	67%	69%	68%	80%	63%	51%	44%

Among schemes which required all members to take financial advice before transferring in, a third (34%) said they allow insistent customers to transfer in. See Table 4.3.3.2. This is lower than among schemes that do not require financial advice to be taken, and among schemes that require it to be taken by certain members (57% and 55% respectively).

Table 4.3.3.2 Whether Transfers In From "Insistent Customers" Permitted

	Total	Are members required to take independent financial advice before transferring in?			
		Yes – all members	Yes – certain members	No, none	Not applicable
Base: All schemes that provide access to at least one decumulation option	*215*	*33*	*30*	*70*	*82*
Yes	32%	34%	55%	57%	10%
No	68%	66%	45%	43%	90%

4.3.4 Taking advice when moving from accumulation to decumulation

Schemes were asked whether they required members to take independent financial advice when they moved from accumulation to decumulation within the scheme.

A fifth of schemes (20%) required all members to take advice and a small minority (3%) required only certain members to take advice in these circumstances. Over half of schemes (53%) did not require members to take independent financial advice for this purpose. A quarter (25%) reported that the question wasn't applicable to their scheme.

Among the nine master trusts asked this question, a small minority (11% i.e. one scheme) required members to take advice. A quarter of single employer schemes (23%) required at least some to do so, similar to the proportion for hybrid schemes (21%).

Within single-employer schemes, as scheme size decreases so does the likelihood of schemes reporting that they required (at least some) members to take advice: 31% of small schemes stipulated this, falling to 21% of medium schemes and 6% of large schemes.

Table 4.3.4.1 Whether Members Are Required to Take Independent Financial Advice When They Move From Accumulation to Decumulation

	Total	Benefit type		Scheme structure				
				Single-employer				Master trust
		Pure DC	Hybrid	Total single-employer	Small (12-99)	Medium (100-999)	Large (1000+)	
Base: All schemes	*226*	*122*	*104*	*217*	*60*	*81*	*76*	*9*
Yes – all members	20%	23%	13%	20%	29%	16%	4%	11%
Yes – certain members	3%	0%	8%	3%	2%	5%	2%	0%
No, none	53%	51%	56%	52%	39%	60%	71%	67%
Not applicable	25%	26%	23%	25%	30%	19%	22%	22%

4.3.5 Support for members in finding financial advice

The majority of schemes (79%) reported that they provide members with information to help find a financial advisor.

The majority of the master trusts asked this question said they provide members with this information (89% i.e. eight of the nine schemes). A very similar proportion of hybrid schemes (88%) did so, as did a slightly lower proportion of single-employer schemes (79%).

Large and medium schemes were more likely to provide this information to members than small schemes: 96%, 94% vs. 62% respectively.

Table 4.3.5.1 Whether Members Are Provided Information to Help Find a Financial Advisor

	Total	Benefit type		Scheme structure				
				Single-employer				Master trust
		Pure DC	Hybrid	Total single-employer	Small (12-99)	Medium (100-999)	Large (1000+)	
Base: All schemes	226	*122*	*104*	*217*	*60*	*81*	*76*	*9*
Yes	79%	75%	88%	79%	62%	94%	96%	89%
No	21%	25%	12%	21%	38%	6%	4%	11%

Schemes were also asked if they had a tie-in or other arrangement with a financial advisory firm to support member access to financial advice. Two-fifths of schemes reported having this type of arrangement in place (39%).

Scheme size did not appear to impact the likelihood of schemes having this type of arrangement in place. However, DC schemes were more likely than hybrid schemes to offer this type of support.

Table 4.3.5.2 Whether Scheme Has a Tie-in or Other Arrangement with a Financial Advisory Firm to Support Member Access to Financial Advice

	Total	Benefit type		Scheme structure				
				Single-employer				Master trust
		Pure DC	Hybrid	Total single-employer	Small (12-99)	Medium (100-999)	Large (1000+)	
Base: All schemes	*226*	*122*	*104*	*217*	*60*	*81*	*76*	*9*
Yes	39%	46%	26%	39%	43%	33%	39%	33%
No	61%	54%	74%	61%	57%	67%	61%	67%

4.4 Exit costs and charges

4.4.1 Exit costs and charges applied to members

Schemes were asked about exit costs and charges. These were defined in the survey as "any deduction to the value of a member's funds imposed as a result of leaving either (a) the scheme or (b) a particular investment (in connection with accessing a decumulation option within the scheme)."

The survey asked about eight different exit options and, for each, asked whether a fixed or percentage fee was charged to a member's fund to take up the option.

It can be seen from Table 4.4.1.1 that a large majority of schemes (89%) did not impose any costs or charges to members when exercising an exit option. The remaining minority of schemes (11%) said they applied at least one exit fee, either as a fixed or percentage fee.

Table 4.4.1.1 Exit Costs and Charges Applied – Summary (including either fixed and percentage fees)

	Total	Benefit type		Scheme structure				
				Single-employer				
		Pure DC	Hybrid	Total single-employer	Small (12-99)	Medium (100-999)	Large (1000+)	Master trust
Base: All schemes	*226*	*122*	*104*	*217*	*60*	*81*	*76*	*9*
At least one exit fee charged	11%	14%	7%	11%	12%	13%	7%	11%
- Early exit charge or early surrender penalty	*1%*	*1%*	*0%*	*1%*	*2%*	*0%*	*0%*	*0%*
- Market value reduction	*1%*	*1%*	*1%*	*1%*	*0%*	*1%*	*1%*	*0%*
- Bid-offer spread	*2%*	*3%*	*1%*	*2%*	*2%*	*2%*	*2%*	*0%*
- Early retirement	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
- Charges for transferring funds to another scheme or provider	*1%*	*1%*	*1%*	*1%*	*2%*	*1%*	*0%*	*0%*
- Valuation charges	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
- Fund switching charges	*1%*	*1%*	*0%*	*1%*	*0%*	*2%*	*0%*	*11%*
- Withdrawal charge for UFPLS	*3%*	*1%*	*6%*	*3%*	*0%*	*7%*	*2%*	*11%*
- Other	*5%*	*8%*	*1%*	*6%*	*9%*	*3%*	*2%*	*0%*
No exit charges	89%	86%	93%	89%	88%	87%	93%	89%

The option most likely to incur a charge from schemes was a withdrawal charge for UFPLS, with 3% of schemes saying they would apply a charge (either fixed fee or percentage fee) if a member took up this exit option.

Other engagement TPR has had with schemes has identified that many schemes provide a fee-free option for an initial withdrawal, while subsequent withdrawals would have a fee levied.

Two per cent of schemes reported they would charge for a bid-offer spread, with four other exit options attracting a charge by 1% of schemes.

Five percent of schemes said other exit charges, different from those specified, were applied to members wishing to exit the scheme or that the charges made were too variable to provide a figure for.

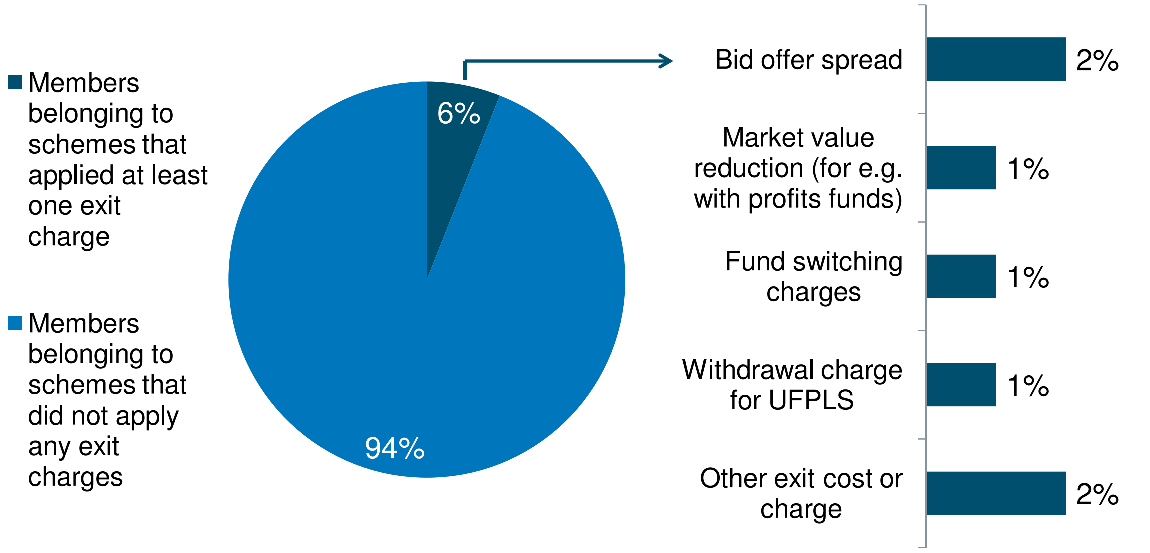
All scheme types and sizes were similarly unlikely to charge for an exit option. One of the nine master trusts surveyed (11%) charged for switching fund and making a UFPLS withdrawal. Around one in twenty (6%) of hybrid schemes reported that they would charge for a UFPLS withdrawal.

Analysing the findings by members[24], the survey showed that a small minority (6%) of members belong to a scheme that imposed at least one exit charge on members; the remaining 94% of members belong to schemes who said they did not impose any exit costs or charges. Figure 4.4.1.1 illustrates this.

The exit charge most likely to affect members was bid offer spread[25], with 2% being in a scheme in which a charge for this option would be levied.

[24] Members here refers to all scheme members (of any age).
[25] In general terms, this is the difference between the buying and selling price of a unit or share.

Figure 4.4.1.1 Members Belonging to a Scheme Imposing Exit Charges and Exit Charges Most Likely to be Imposed (either as fixed fee or percentage fee)



Base: All schemes used for member analysis (223)

Table 4.4.1.2 shows the proportion of schemes that charged a *fixed* fee to members (as opposed to percentage fee which is shown in Table 4.4.1.4) when exercising an exit option. Seven percent of schemes charged a fixed fee.

A withdrawal charge for UFPLS was the most commonly charged option (3% of schemes). One per cent of schemes reported they would charge for switching fund.

Four percent of schemes said other exit charges, different from those specified, were applied to members wishing to exit the scheme or that the charges made were too variable to provide a figure for.

Among the 13 schemes that would charge a fixed fee, the mean fixed fee charged was £195 and the median amount was £200.

Whilst not asked specifically for this information, a minority (1%) of schemes reported that for certain options the first use of an option was free but a charge would apply for subsequent use of that particular option[26].

[26] For this analysis these schemes have been classified as ‘no fixed fee exit charges’ (unless another charge had already been specified).

Table 4.4.1.2 Exit Costs and Charges Applied – Fixed Fees

	Total	Benefit type		Scheme structure				
				Single-employer				Master trust
		Pure DC	Hybrid	Total single-employer	Small (12-99)	Medium (100-999)	Large (1000+)	
Base: All schemes	*226*	*122*	*104*	*217*	*60*	*81*	*76*	*9*
At least one fixed fee charged	7%	8%	6%	7%	7%	10%	3%	11%
- Early exit charge or early surrender penalty	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
- Market value reduction	*0%*	*1%*	*0%*	*0%*	*0%*	*1%*	*0%*	*0%*
- Bid-offer spread	*0%*	*0%*	*1%*	*0%*	*0%*	*0%*	*1%*	*0%*
- Early retirement	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
- Charges for transferring funds to another scheme or provider	*0%*	*0%*	*1%*	*0%*	*0%*	*1%*	*0%*	*0%*
- Valuation charges	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
- Fund switching charges	*1%*	*1%*	*0%*	*1%*	*0%*	*2%*	*0%*	*11%*
- Withdrawal charge for UFPLS	*3%*	*1%*	*6%*	*3%*	*0%*	*7%*	*2%*	*11%*
- Other	*4%*	*6%*	*0%*	*4%*	*7%*	*1%*	*0%*	*0%*
No fixed fee exit charges	93%	92%	94%	93%	93%	90%	97%	89%

Table 4.4.1.3 shows the proportion of schemes that charged a *percentage* fee to members (as opposed to *fixed* fee which is shown in Table 4.4.1.2) when exercising an exit option. Seven per cent of schemes charged a percentage fee, the same proportion as charged a fixed fee though these were not always the same schemes.

A percentage fee was most likely to relate to a bid-offer spread: 2% of schemes reported this. Three other exit options attracted a charge by 1% of schemes.

Three percent of schemes said other exit charges, different from those specified, were applied to members wishing to exit the scheme or that the charges made were too variable to provide a figure for.

Hybrid schemes were least likely to charge a percentage fee for one of the exit options listed (2%).

Among the nine schemes who reported that they charged a percentage fee, the mean charge was 10% and the median charge was 5%[27].

The minimum percentage fee cited by a scheme was 0.3% which would be applied to UFPLS. The maximum fee reported was 31% which is significantly out of line with most of the remaining results. Six of the nine fees given ranged between 1% and 5%.

Table 4.4.1.3 Exit Costs and Charges Applied – Percentage Fees

	Total	Benefit type		Scheme structure				
				Single-employer				Master trust
		Pure DC	Hybrid	Total single-employer	Small (12-99)	Medium (100-999)	Large (1000+)	
Base: All schemes	*226*	*122*	*104*	*217*	*60*	*81*	*76*	*9*
At least one percentage fee charged	7%	10%	2%	7%	9%	6%	5%	11%
- Early exit charge or early surrender penalty	*1%*	*1%*	*0%*	*1%*	*2%*	*0%*	*0%*	*0%*
- Market value reduction	*1%*	*1%*	*1%*	*1%*	*0%*	*1%*	*1%*	*0%*
- Bid-offer spread	*2%*	*3%*	*1%*	*2%*	*2%*	*2%*	*2%*	*0%*
- Early retirement	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
- Charges for transferring funds to another scheme or provider	*1%*	*1%*	*0%*	*1%*	*2%*	*0%*	*0%*	*0%*
- Valuation charges	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
- Fund switching charges	*0%*	*0%*	*0%*	*0%*	*0%*	*1%*	*0%*	*0%*
- Withdrawal charge for UFPLS	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*11%*
- Other	*3%*	*4%*	*1%*	*3%*	*4%*	*1%*	*2%*	*0%*
No percentage fee exit charges	93%	90%	98%	93%	91%	94%	95%	89%

[27] These figures include two or three outlier results which we will explore further.

Appendix A

Survey outcomes and response rate

The table below shows the final number of interviews achieved with each type of scheme, the associated response and refusal rates, as well as the total population.

Table A.1 Interview Numbers and Population Profile

	Defined Contribution			Hybrid			Master Trusts	TOTAL
	Small	Medium	Large	Small	Medium	Large		
SAMPLE CLEANING								
Population	936	316	148	180	382	188	23	2,173
Removals during deduplication/ cleaning	154	53	20	14	50	16	0	307
Records available	782	263	128	166	332	172	23	1,866
SCREENING								
Unusable contact (e.g. wrong number)	36	15	9	14	27	11	1	113
Screened out (e.g. <12 members, DB scheme)	137	27	5	29	42	17	0	257
SURVEY COMPLETES / RESPONSE RATES								
Total useable sample	609	221	114	123	263	144	22	1,496
Completed Interviews	49	31	29	15	54	39	9	226
Refusals	219	76	38	46	59	33	2	473
Response rate	8%	14%	25%	12%	21%	27%	20%	15%
Refusal rate	36%	34%	33%	37%	22%	23%	26%	32%

The final response rate achieved was 15%, which represents 87% of memberships. This was following multiple reminder emails, repeated telephone 'chaser' calls to non-responders and an extension to the original fieldwork period, Feedback from the telephone calls indicates that many schemes could not easily access the required information to fully complete the survey (and in some cases would have needed to pay their administrator to generate the data). In some cases schemes felt that the amount of time required to collate this information was too considerable to warrant participating in the survey.

Appendix B

Decumulation options available within scheme

Table B.1 Proportion of Schemes Providing Access to Each Decumulation Option - Within Scheme[28]

	Total	Benefit type		Scheme structure				
				Single-employer				Master trust
		Pure DC	Hybrid	Total single-employer	Small (12-99)	Medium (100-999)	Large (1000+)	
Base: All schemes	*226*	*122*	*104*	*217*	*60*	*81*	*76*	*9*
At least one option available	**92%**	**89%**	**98%**	**92%**	**88%**	**94%**	**100%**	**100%**
Lifetime annuity	70%	64%	80%	70%	66%	70%	78%	44%
Withdrawal of tax free lump sum	75%	72%	80%	75%	73%	74%	82%	78%
UFPLS - any	42%	35%	54%	41%	21%	50%	75%	89%
- *Full encashment*	*42%*	*35%*	*54%*	41%	*21%*	*50%*	*74%*	*89%*
- *Partial encashment*	*14%*	*14%*	*15%*	14%	*10%*	*13%*	*24%*	*67%*
Drawdown - any	25%	31%	14%	25%	33%	19%	17%	44%
- *Full encashment*	*21%*	*26%*	*13%*	21%	*27%*	*17%*	*13%*	*44%*
- *Partial encashment*	*13%*	*18%*	*3%*	12%	*18%*	*8%*	*7%*	*33%*
Other	68%	60%	84%	68%	51%	79%	87%	100%
- *Small pots lump sum*	*65%*	*54%*	*84%*	64%	*48%*	*75%*	*86%*	*100%*
- *Miscellaneous*	*12%*	*11%*	*14%*	12%	*9%*	*15%*	*15%*	*11%*
None of these	**8%**	**11%**	**2%**	**8%**	**12%**	**6%**	**0%**	**0%**

[28] Within the scheme refers to options offered or paid by the scheme itself, as opposed to options offered through a third party.

Decumulation options available via a tie-in or other arrangement with a third party

Table B.2 Proportion of Schemes Providing Access to Each Decumulation Option – Via Third Party

	Total	Benefit type		Scheme structure				
				Single-employer				Master trust
		Pure DC	Hybrid	Total single-employ er	Small (12-99)	Medium (100-999)	Large (1000+)	
Base: All schemes	*226*	*122*	*104*	*217*	*60*	*81*	*76*	*9*
At least one option available via tie-in with third party	**15%**	**13%**	**20%**	**15%**	**6%**	**14%**	**36%**	**33%**
Lifetime annuity	12%	11%	14%	12%	6%	14%	23%	33%
Withdrawal of tax free lump sum	6%	6%	7%	6%	3%	8%	11%	11%
UFPLS - any	7%	7%	6%	7%	4%	8%	12%	0%
- *Full encashment*	*5%*	*5%*	*4%*	5%	*2%*	*6%*	*10%*	*0%*
- *Partial encashment*	*5%*	*5%*	*5%*	5%	*2%*	*7%*	*10%*	*0%*
Drawdown - any	9%	6%	14%	9%	4%	9%	20%	22%
- *Full encashment*	*8%*	*6%*	*12%*	8%	*4%*	*9%*	*18%*	*22%*
- *Partial encashment*	*7%*	*5%*	*12%*	7%	*2%*	*9%*	*16%*	*22%*
Other	7%	6%	10%	7%	3%	7%	17%	11%
- *Small pots lump sum*	*6%*	*5%*	*7%*	6%	*3%*	*7%*	*9%*	*11%*
- *Other*	*2%*	*1%*	*4%*	2%	*0%*	*1%*	*8%*	*0%*
No third party options	**85%**	**87%**	**80%**	**85%**	**94%**	**86%**	**64%**	**67%**