

HELLO

Following the introduction of 'Freedom and Choice' for defined contribution (DC) pensions in April 2015, we have seen increasing numbers of members transfer out of defined benefit (DB) schemes to access these new freedoms.

While these options could be attractive for some members, they represent important considerations for both trustees and companies alike:

- For trustees, considerations include how to support members to fully understand the options available, whether to increase the range of options available in the DB scheme itself and implications for a scheme's investment strategy; and
- For corporate sponsors, a consideration may be using the new flexibilities as a way to manage risks in a scheme, reduce costs and bridge the gap to a possible future buyout.

Whether you are a trustee or a corporate sponsor, there is a range of issues to consider in relation to the new pensions freedoms.

In our 2019 review, we take a look at:

- How trustees are supporting members in their decision making at retirement
- The latest on bulk member options exercises and the IFA market
- Examples of schemes which have used member options exercises to bridge the gap to buyout
- Trends in relation to partial transfer options
- Investment considerations of carrying out member options exercises

Our insights are underpinned by the results of Aon's 2019 Member Options Survey covering 320 defined benefit schemes, as well as our experience advising on more member options exercises than any other consultancy in recent years. In this chapter we look at resources and activities that schemes can implement to drive better member outcomes.



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**DRIVING BETTER
MEMBER
OUTCOMES**

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DRIVING BETTER MEMBER OUTCOMES

In this fast-changing world, we are using new channels to get the information and support that we need in life. We use technology to turn the lights on, do the shopping, have a virtual GP appointment, manage our personal finances and even to buy or sell houses. Why should pensions be any different?

ONE OF THE BIGGEST FINANCIAL DECISIONS

Often the decision to retire is one of the biggest financial decisions we make, bigger than changing jobs or buying a house. Yet, the support we receive to make this decision often consists of 30 to 40 pages of incomprehensible block text and numbers. Most of the time this leads to members taking the default scheme pension with little or no consideration of any pensions freedom options.

The guaranteed income of the scheme pension is likely to be the right option for the majority of members. Some members however, could benefit from the flexibility offered by pensions freedom options (for example, those in poor health, the unmarried, or those with a desire to pass on pension as an inheritance), and these members may not be aware of these options if they are not communicated effectively. Perhaps that is why we are starting to see change.



Members may not be aware of their options if they are not communicated effectively

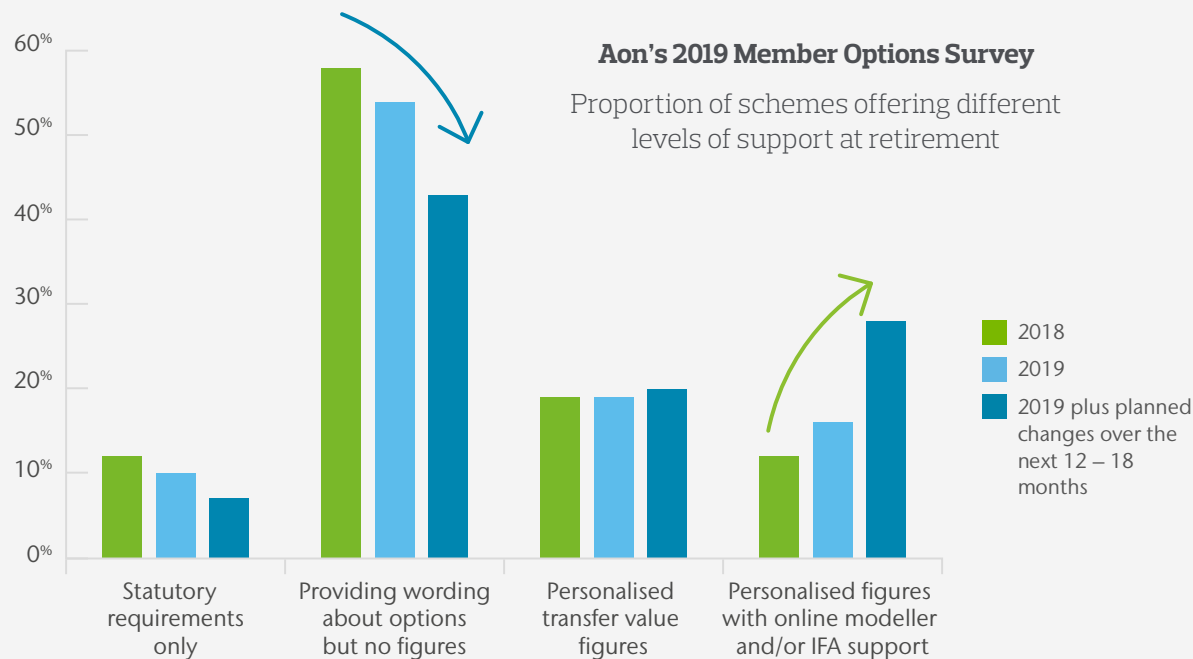


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BUT WHAT DOES SUPPORT LOOK LIKE?

At Aon we do not think that 'one size fits all' and we see our clients taking a range of approaches to support members while still complying with statutory requirements, some of these include:

- Communications to members at 'key ages' to warm them up to their different options well ahead of retirement
- More engaging paper communications – such as engaging covers for retirement packs, with key information highlighted up front
- Online modellers for members to explore and contrast scheme retirement options with pension freedom options
- Provision of paid-for IFA advice from a qualified, reputable and vetted IFA to help members avoid the costs and pitfalls of the high street IFA market
- Short videos explaining member options in a simple and engaging way
- Phone apps which enable trustees to send push notifications to members at key decision points



The chart above shows the results from Aon's 2019 Member Options Survey – almost one in five schemes are now providing additional support to members at retirement. This is expected to increase to almost one in three schemes within the next 12–18 months.



AROM

2016

LAUNCHED

50

LIVE SCHEMES

We must not forget that members are people, and people are individual.

We are all different. We like our information and support in different ways – and in varying levels of detail. As such, often a combination of different media are required to cater for multiple preferences.

Online models seem to be one of the biggest areas of growth in the market. Since its launch in 2016, 50 schemes are now live or in the process of setting up Aon Retirement Options Model (AROM), which will provide access for over 12,500 members. This can be used to help members explore and compare the immediate income they can receive in retirement, based on taking their scheme pension or via exploring pensions freedoms.

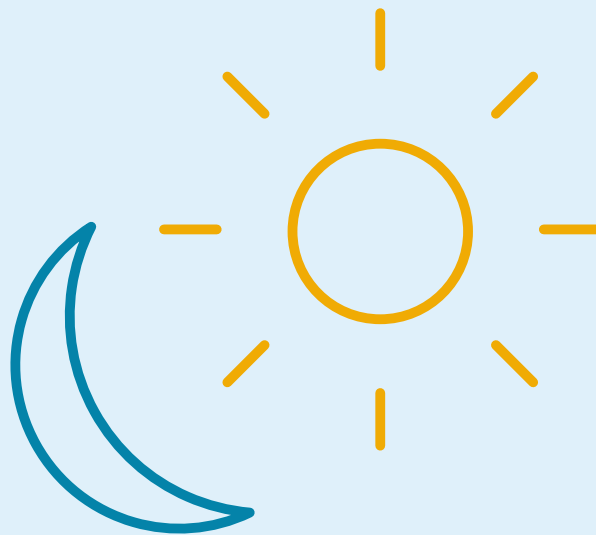


Interestingly, when AROM was first designed, it was anticipated that members would use it 'out of hours' for support at times when IFAs were unavailable.

In fact, our data suggests that members use it most during working hours – perhaps when a quick check online is acceptable at the office but a lengthy call to an IFA is not. The heatmap to the right shows when AROM is being used the most – with 11am to 1pm the most popular time of day.

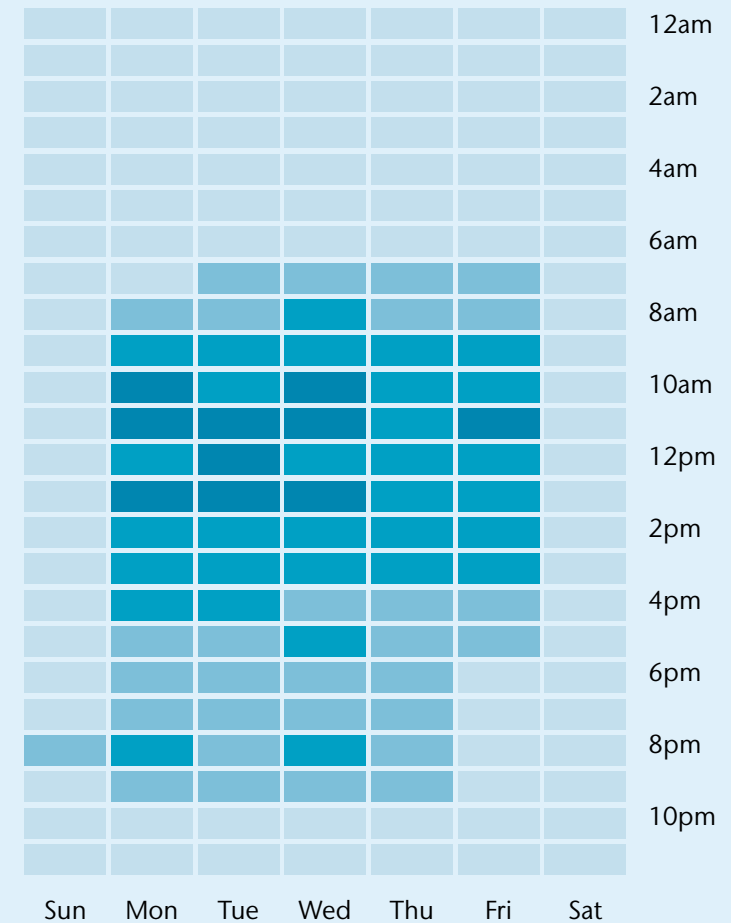
But members use the modeller at times that suit them. Some members have logged in on a Friday night, some at anti-social times in the morning, and some even on Christmas Day! Further evidence that one size doesn't necessarily fit all.

Fortunately, technology can help trustees to be flexible and is usually a cost-effective way to meet the needs of many different members.



Usage of Aon's Retirement Options Model (AROM)

Showing users by time of day



User intensity

INCREASING USE OF TECHNOLOGY

The new Aon Retirement App is able to store key documents and send push notifications when new materials are released. Trustees are increasingly using app-based technology to increase member engagement with their pensions.



Members have more options than ever before as to how they draw their pension, so at Steve Southern Trustees Limited, we strongly believe they need more support to ensure the best possible member outcomes. Aon and I have been working on a mutual client to help improve the member retirement experience. As a trustee, it's about helping members to be able to make an informed decision, and achieve the right outcome for them.

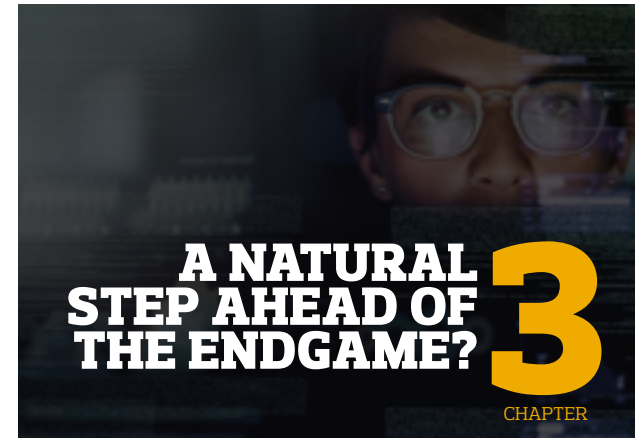
The process starts with educational communications, long before members are even eligible to take their pension. We then seek to engage with them using a number of different communication channels, paper communications, an online retirement modeller (AROM), and paid-for IFA support. We hope this leads to something for everyone and enables our members to make informed decisions.



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If you would like to see Aon's Guide to Member Options in its entirety, please [email](#) the Member Options team and we will be in touch.



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About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

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