

Aon 2019 Member Options Survey

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

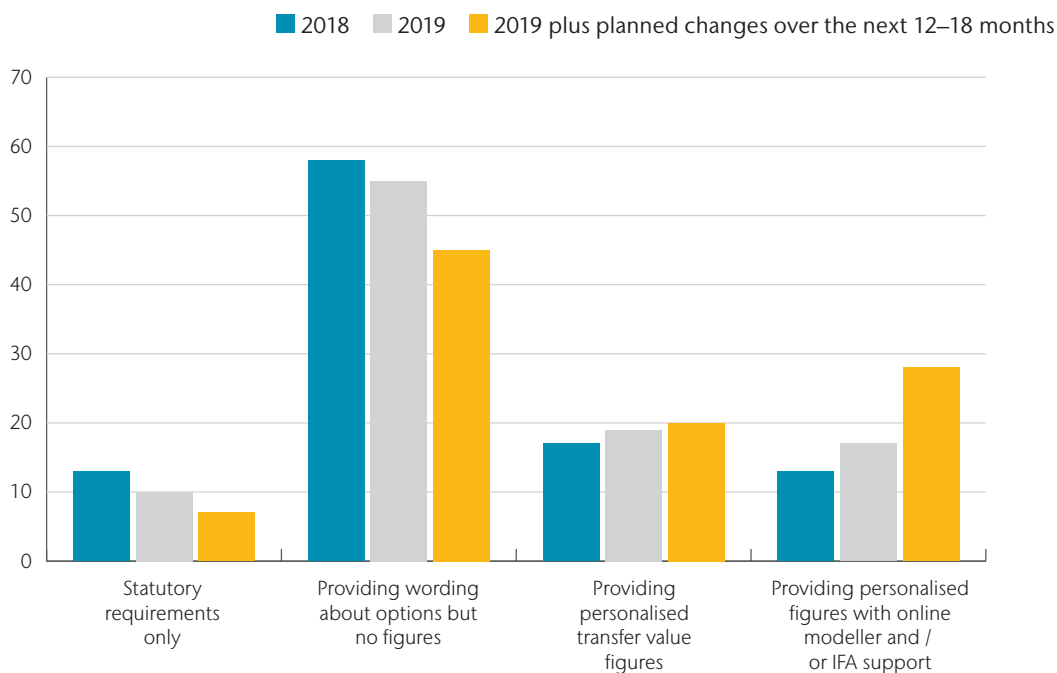
Data from 200 Aon pension schemes shows a 7-fold increase in the number of members transferring out of Defined Benefit (DB) schemes since the introduction of improved flexibility in the Defined Contribution (DC) world.

Given this continued trend, our 2019 Member Options Survey looked into the actions being taken by around 320 DB schemes to see what support is being offered to members at retirement and other actions being taken by schemes to increase the range of flexibilities in the DB schemes themselves.

The trend for more support

Comparing the results to our 2018 survey and taking into account planned actions over the next 12–18 months, there is a clear trend for schemes to be providing members with more support with their retirement decisions – almost one in five schemes now include personalised transfer value figures in retirement packs and a similar number of schemes make online tools and / or IFA support available to members alongside the figures to help them make an informed decision. This latter group is expected to increase to almost one-third of schemes over the next 12–18 months.

Proportion of schemes offering different levels of support at retirement



Barriers to support

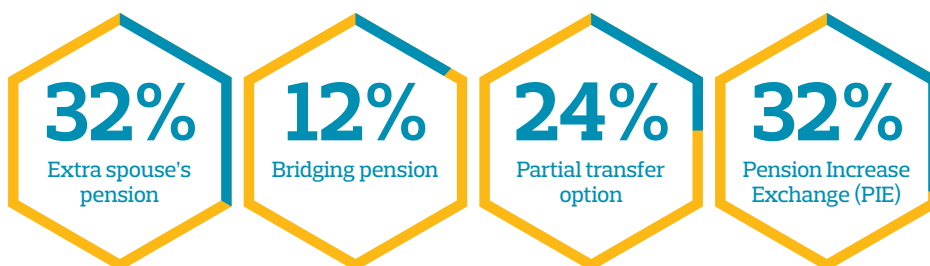
When asked about the biggest barrier to providing members with more support at retirement, two-thirds of schemes cited administration barriers, including the level of automation of transfer value calculations. However, schemes recognised the need to work with their administrators over time to reduce these barriers to better supporting members.

Around one-third of schemes had trustees who are concerned that providing members with more support at retirement could be seen as encouraging members to transfer against their interests. Members with transfer values of more than £30,000 will need to take financial advice before being able to transfer and, given the trend for increasing numbers of members transferring out of DB schemes, it is arguably more concerning that some of these members are being left to navigate the market themselves to find suitable IFA advice.

Improving flexibility in DB schemes

Given the flexibilities available to members of DC schemes, many schemes are looking at ways to offer members more flexibility at retirement within the DB scheme itself – around 100 schemes in our survey offer members extra flexibility alongside the usual options of a transfer value, a pension and a tax-free cash lump sum.

Other options provided to members at retirement



These additional options are also reasonably popular with members with almost 40% of schemes that offer a PIE option at retirement seeing take up rates of more than 25%. Transferring out of a DB scheme can be seen as an 'all or nothing' decision and these options can be considered a middle ground between the security offered by a DB pension and the flexibility from transferring to the DC world.



About Aon

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Ben Roe
Head of Member Options Team
+44 (0)1727 888 286
benjamin.roe@aon.com



Kelly Hurren
Member Options Specialist
+44 (0)20 7086 3941
kelly.hurren@aon.com