



NEWS RELEASE

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Six million defined benefit members yet to consider transfer to more flexible pension scheme, FCA research reveals

- FCA's Financial Lives survey reveals nearly nine in 10 (89%) deferred and active members of defined benefit schemes - about six million people – are yet to consider a transfer
- Three in 10 (28%) who have considered a transfer are planning to go ahead with it
- HUB Pension Consulting says trustees can help members receive good outcomes by supporting them with quality advice

The scale of potential demand for pension transfer advice in the future has been highlighted in figures that suggest around six million active and deferred members of private sector defined benefit (DB) pensions are yet to consider transferring from their scheme to access their pension benefits more flexibly.

The Financial Lives survey from the Financial Conduct Authority (FCA)¹ found that 89% of non-retired members of DB schemes have not considered a transfer to a defined contribution scheme that offers more flexibility but without the guarantees of a secure and rising income in the future.

Of the 11% of members of DB schemes who have considered a transfer, about three in 10 (28%) are expecting to go through with the transfer and two in 10 (21%) were not sure.

HUB Pension Consulting, which has been advising on bulk scheme exercises since 2005, said the FCA figures show that the volume of transfer numbers seen so far is likely to be the tip of the iceberg with hundreds of thousand more members likely to consider a transfer before they start accessing benefits at retirement.

With around 7.1 million active or deferred private sector DB pension holders in the UK², this suggests around six million could still go on to consider a transfer before they take benefits.

Simon Gray, Director at HUB Pension Consulting, said trustees will want to consider having in place established routes to help scheme members who want to explore the option of staying within their current scheme or pursuing a transfer.

“Transferring has its attractions in terms of giving flexible access to cash so it is likely to be considered by most private sector DB pension savers at some point before they lock into their fixed income at retirement. But it is only suitable to transfer in specific circumstances which is why advice is so important.

“Regulation has tightened in this area because of FCA concerns over whether previous advice given to members has always been in the best interests of those members. Our view is that rather than expecting the member to go out and find their own adviser, trustees can help members receive good outcomes by partnering with an adviser they have vetted and trust to provide the high quality of support needed.

“Abridged advice enables members to explore whether a transfer is definitely not in their interest before committing to the full advice process, saving both the scheme and member time and money.

“We are also seeing increased demand from trustees for a panel of quality assured independent financial advisers that are available on demand – effectively providing an ‘always on’ service for scheme members as needed.”

Enquiries

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References

1 – FCA, Financial Lives Survey, 2020, Product Ownership Part 2: <https://www.fca.org.uk/financial-lives-survey/resources-library>

2 – ONS, Occupational pension schemes in the UK:

<https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/pensionsavingsandinvestments/datasets/occupationalpensionschemessurvey>

About HUB Group

HUB Group's operating companies are modern, technology-driven businesses specialising in providing integrated financial solutions to UK businesses and to their customers and members. Collectively the Group's businesses are one of the UK's biggest providers of regulated advice and guidance to people in later life.

HUB Group has provided advice and guidance to over 100,000 customers and pension scheme members, helping them turn £1 billion of pension savings into a guaranteed income for life, release £1 billion of equity from their homes and provided specialist advice on defined benefit transfers.

HUB Group comprises:

- HUB Financial Solutions – a provider of regulated advice, retirement solutions and services to UK businesses and other organisations;
- HUB Pension Consulting – a specialist in providing client advisory services to defined benefit (DB) pension scheme trustees and scheme sponsors undertaking bulk member options exercises; and
- HUB Digital Solutions – a financial technology business that specialises in creating innovative and disruptive retirement-focused solutions.

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