

XPS Express for Employers

Bringing you the latest pensions news for employers

Putting in place a low-cost receiving vehicle for member transfers



At a glance

A recent XPS survey shows continued high levels of transfer take-up, with £650m transferred out last year across the schemes we administer

Our survey showed that risks and costs have increased, with around 55% of transfer value cases showing signs of scam activity, and average ongoing fees increasing to nearly 2% p.a.

There was a marked reduction in members with smaller pots transferring their benefits, which is expected to be linked to these higher costs

Putting in place access to financial advice and a low-cost receiving vehicle (LCRV), such as a master trust, can help support transfers where this option is right for the member

LCRVs provide a safe destination for transfers, promote better IFA advice, and can help to reduce initial and ongoing costs

Providing better outcomes for members will reduce risk involved with transfers out and, in turn, help to reduce risk in your scheme

An LCRV can also play a key role in your wider pensions strategy

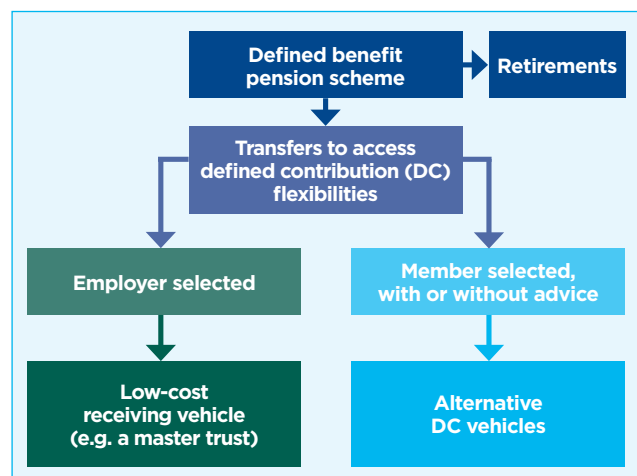


How an LCRV can benefit your scheme and members

Security	Provides a safe destination for transfers with ongoing support for members.
Advice	Helps IFAs consider a wider range of low-cost options , allowing more members to use such options and reducing costs.
Initial costs	Removes advice costs for members with small transfer values.
Ongoing costs	Institutional pricing available , which may result in members receiving higher benefits than they would have otherwise.



How does this work in practice?



Actions employers can take

1. Assess how members currently transfer their benefits from your scheme, and understand their financial knowledge and preferences.
2. Review the available LCRV options to determine which might be most appropriate for your membership.
3. Discuss the use of LCRVs with your trustees.
4. Develop a strategy aligning IFA support and safe destinations to support good value, safe transfer options for your members.

Supporting your wider pensions strategy

Low-cost receiving vehicles are generally master trusts and have a wide range of applications to help support your wider pensions strategy.



Master trusts: A quick summary

Background	▶ A master trust is an authorised occupational pension scheme , run by a professional board of trustees. Most master trusts are defined contribution schemes in which multiple, unrelated employers can operate.
Regulatory regime	▶ Master trusts must be authorised and supervised by The Pensions Regulator , and have the required processes and financial support in place to safeguard and protect members.
Charging structure	▶ Most master trusts are of significant size, so benefit from economies of scale to minimise administration costs and investment charges. As a result they offer lower charges than most occupational schemes and open market arrangements.
Ongoing governance	▶ The trustees are responsible for ongoing governance, including member communication and reviewing the trust's investment managers and range of funds. Significant scale allows master trusts to operate a high standard of governance .
Product provided	▶ Many master trusts offer the full range of pensions freedoms , from annual pension provision to more sophisticated options like income drawdown, and typically provide tools to help members understand the options available to them.

For further information, please get in touch with **Jim Heal** or **Chris Fletcher** or speak to your usual XPS Pensions contact.



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