

Member Outcomes Survey

**An analysis of transferring
DB pension scheme members**

December 2022

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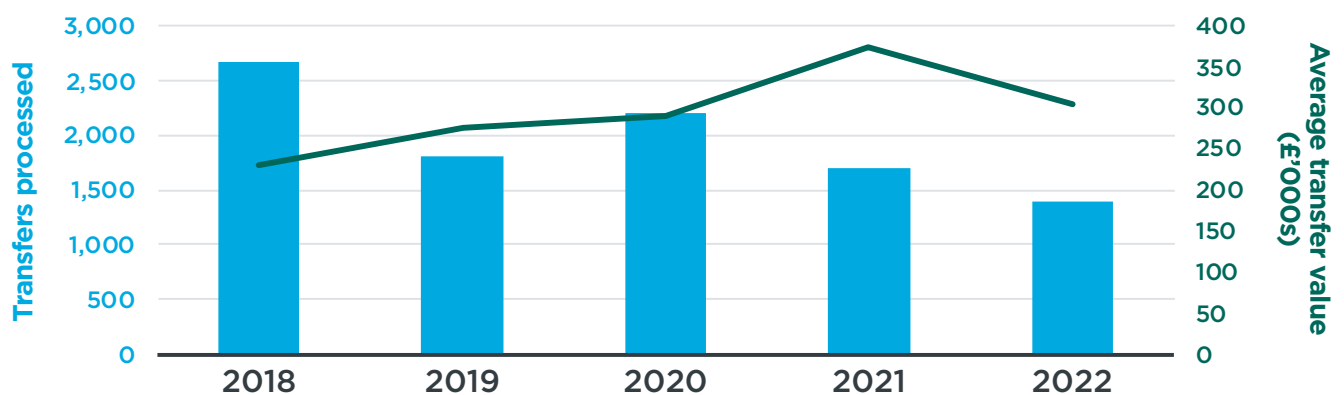
About this survey

XPS's annual **Member Outcomes Survey** has analysed over 13,000 transfers out of defined benefit schemes, worth over £3.5bn, to understand the likely outcomes for these members, with a particular focus on the fees they will face after transferring. XPS has produced the survey annually since 2018.

We have analysed data for clients of XPS Administration, which has been supplemented with additional data from the **XPS Data Pool**¹. XPS Administration **processed 1,400 transfers** during the year to 31 March 2022 (totalling £416m), down from 1,700 last year and 2,200 the year before.

The average size of transfers taken has also fallen for the first time since the member outcomes survey was launched in 2018, from **£375k last year** to **£305k this year**.

XPS transfer activity and value



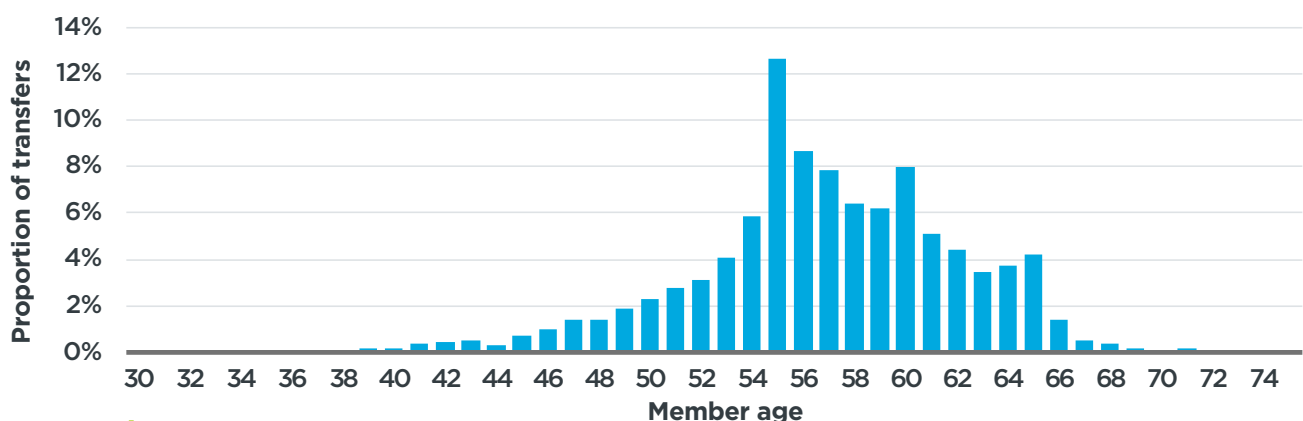
Source: XPS Administration

Transfers are largely a retirement decision

The average age of transferees continues to rise, reaching 57.7 this year, up from 57.1 last year.

We can see from our data pool that **over 75% of transfers** since 2018 have been taken by members over the minimum retirement age of 55.

Transfers by age - 2018 to 2022



Source: XPS **DATAPOOL**

¹ The **XPS Data Pool** is made up of around 200 participating schemes, covering in excess of 500,000 members. It stores basic pension details, underlying experience (deaths, transfers etc.) and socio-economic information from our member analytics tool.

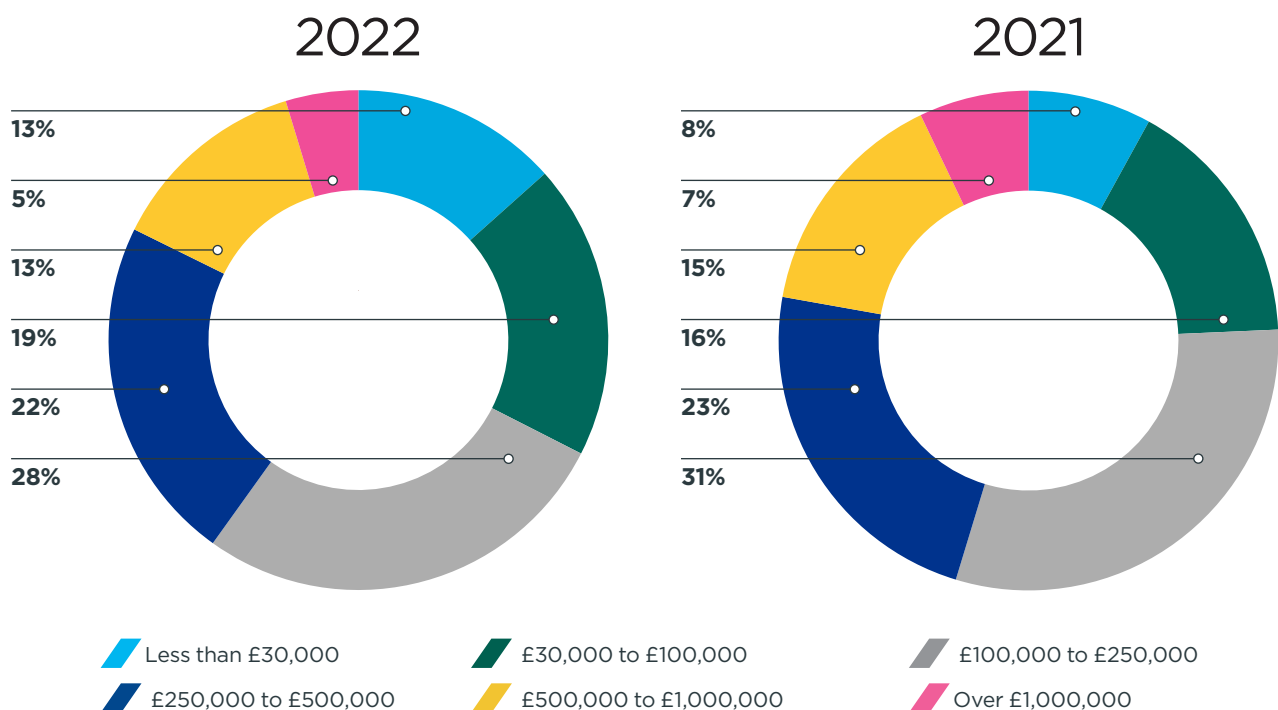
Surge in smaller transfer values

Of those members who transfer, the proportion who have a transfer value of £100,000 or under has increased, from just under a quarter of transfers last year to around one third of all transfers. In particular, there has been a **significant increase in the number of members taking transfer values worth less than £30,000**. These are some of the most vulnerable pension scheme members as they are not required to take financial advice in order to transfer their benefits away from a defined benefit pension scheme. They are also unlikely to consult a financial advisor through choice, and may view the cost, which is often subject to a minimum fee, as prohibitive.

These members are also likely to be those most impacted by the current cost-of-living crisis and extremely high rates of inflation.

Lack of knowledge of fees is a big issue for members who have a transfer value of less than £30,000. Our **Scam Protection Service** shows that over a third of these members do not understand the fees they will pay after transferring, compared to only one in five members with larger transfers.

% of transfer values by size



Source: XPS Administration



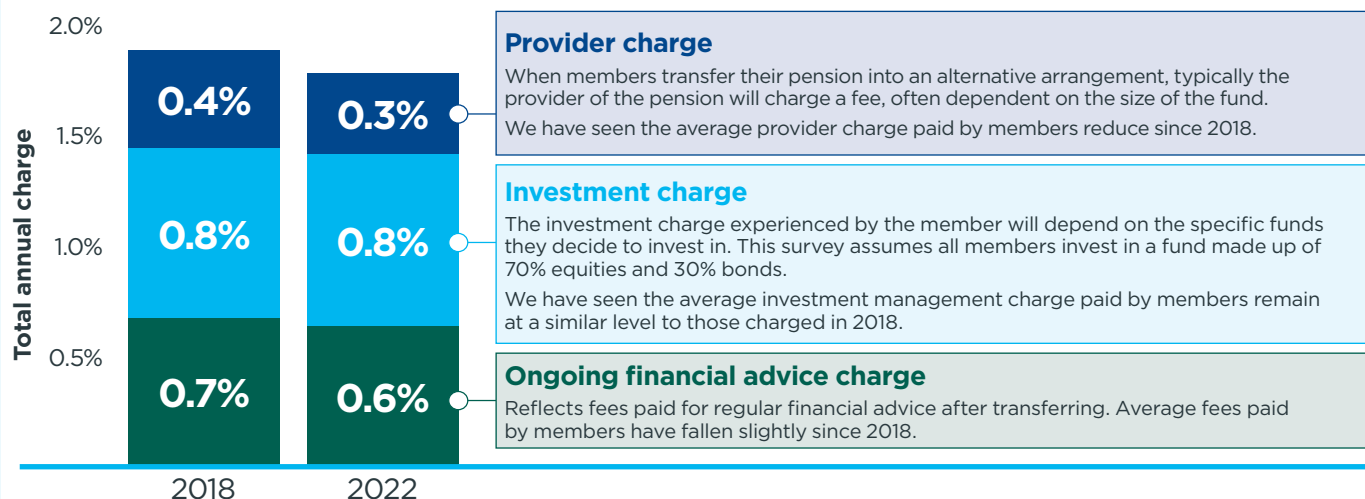
Members whose transfer value is less than £30,000 are those who will benefit most from the provision of at retirement support, as they are less likely to seek out financial advice on their own making them most vulnerable to poor decision making but also at greater risk of falling victim to a scam.

Mark Barlow
Head of Member Options

Improvements in value for money

Since we started the survey in 2018, the average total charge paid by members after transferring has **fallen from around 1.9% pa to around 1.7% pa**. On average a member's fund will last one year longer as a result.

Breakdown of average annual management charges



Source: XPS Pensions Group

The fall in fees is positive. However, we remain concerned that many members are not getting value for money from the significant charges they are paying, effectively not using or valuing the services that they are paying for. If these members were provided with access to an unbiased financial advisor and selected a low-cost receiving vehicle, we estimate their funds could last a further 8 years, or result in an annual pension 15% higher.

Increasing support for members

There has been a continued increase in the number of schemes who have taken steps to improve member outcomes, with around **64% of members** being offered some form of support or increased options, which is **up from 50% in 2021**.

Survey results 2022



46%

of members have access to enhanced support and communications



10%

of members have access to a low-cost receiving vehicle



15%

of members have access to a partial transfer option



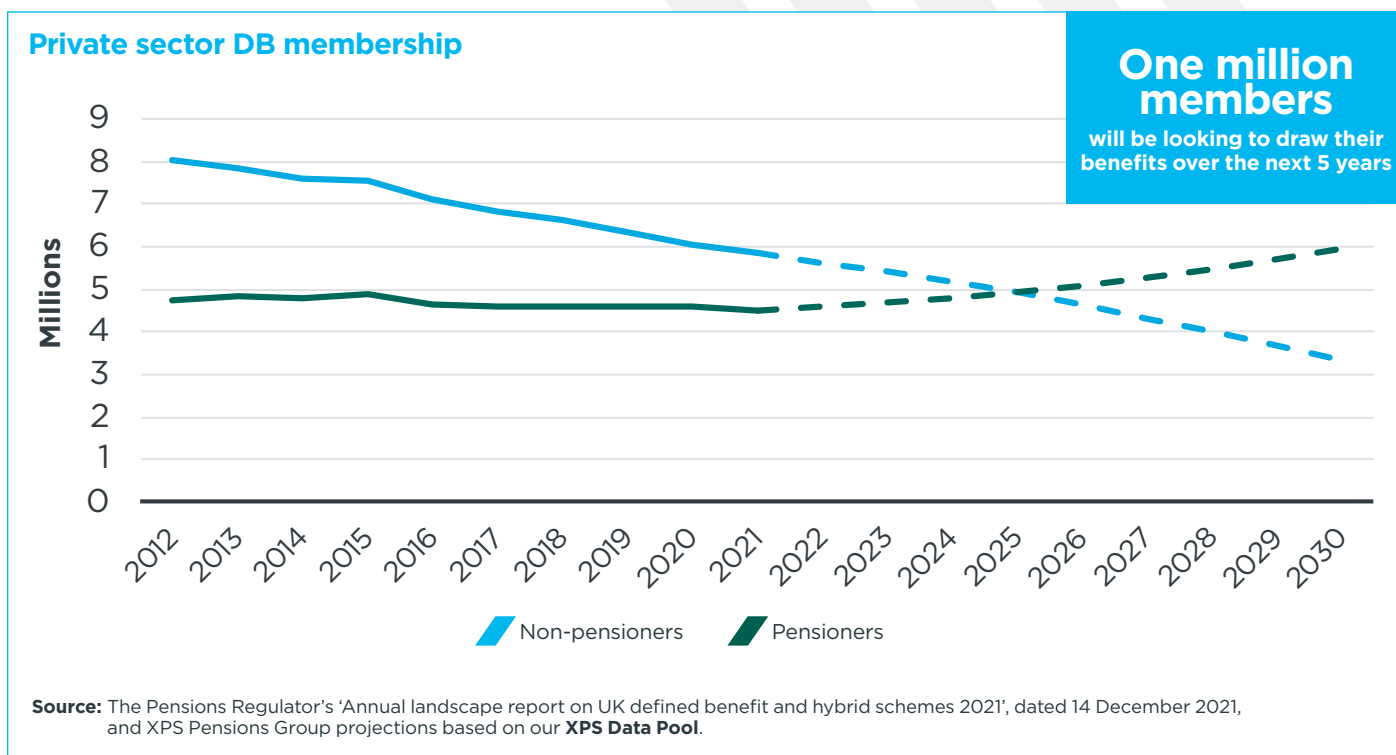
23%

of members have access to unbiased financial advice

Source: XPS survey of advisory clients, covering eligible members who already have or will soon have these options.

Call to action

We estimate that a further **one million members of private sector defined benefit schemes** will look to draw their benefits over the next five years. This means that now really is the time to act to support these members.



Key recommendations

Protecting member outcomes has never been so important, with members looking for ways to ease the pressure on their household finances during the cost-of-living crisis. Providing greater support helps to ensure members choose the right option for them, which is clearly good for the member but also for the pension scheme too. Therefore, we encourage trustees and sponsors to implement our four recommendations below.

1 Education and support for members

Providing enhanced education and support to enable members to understand their options and make the right decision for them.



2 Access to low-cost receiving vehicles

Giving members access to low-cost arrangements to transfer into, ensuring that they don't choose an inappropriate arrangement for their needs and helping their money to go further.



3 Offering members the option of a partial transfer

Enabling members to transfer part of their pension, helping them to avoid the all-or-nothing decision often associated with a defined benefit transfer.



4 Access to unbiased financial advice

Helping members to find a quality unbiased financial advisor to help them make the appropriate decision for their individual circumstances.



About us

XPS Pensions Group is a leading pensions consulting and administration business fully focussed on UK pension schemes. XPS combines expertise, insight and technology to address the needs of over 1,500 pension schemes and their sponsoring employers on an ongoing and project basis. We undertake pensions administration for over one million members and provide advisory services to schemes and corporate sponsors in respect of schemes of all sizes, including 51 with assets over £1bn.

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