

# Member Outcomes Survey

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

**December 2023**

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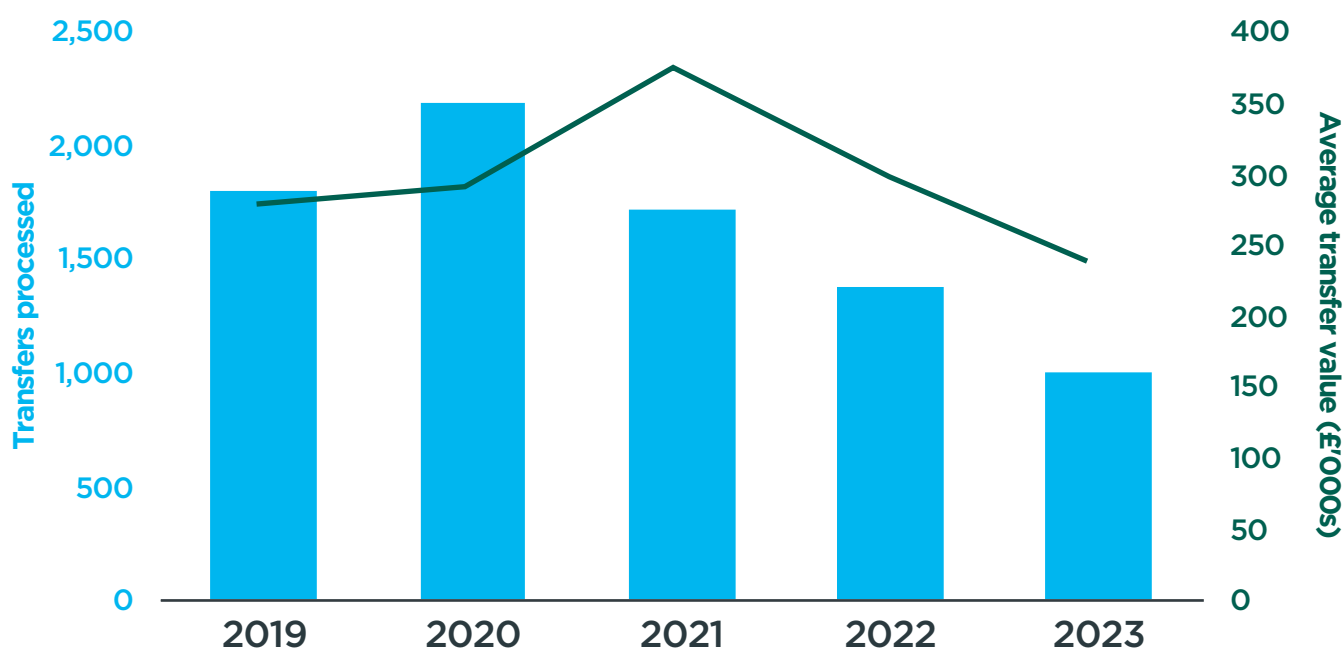
# About this survey

XPS's annual **Member Outcomes Survey** has analysed over 14,000 transfers out of defined benefit schemes, worth over £3.7bn, 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.

XPS Administration **processed 1,000 transfers** during the year to 31 March 2023 (totalling £237m), down by 30% from last year, 40% from 2021 and less than half the volume of transfers seen in the peak of 2020.

The average size of transfers taken has fallen for the second year in a row, **from £305k last year to £238k this year**. This, in part, reflects significant changes in market conditions over the year, in particular the large increases in gilt yields witnessed after the mini budget in September 2022 and the subsequent gilt market crisis.

## XPS transfer activity and value



Source: XPS Administration



The volume of transfers continues to fall overall, but analysis shows that it remains a popular option with those members over age 55, who are choosing to transfer as part of their retirement planning.

**Mark Barlow**  
Head of Member Options



# Transfers are an early retirement decision

The average age of transferees has risen slightly, increasing to 57.9 this year, up from 57.7 last year.

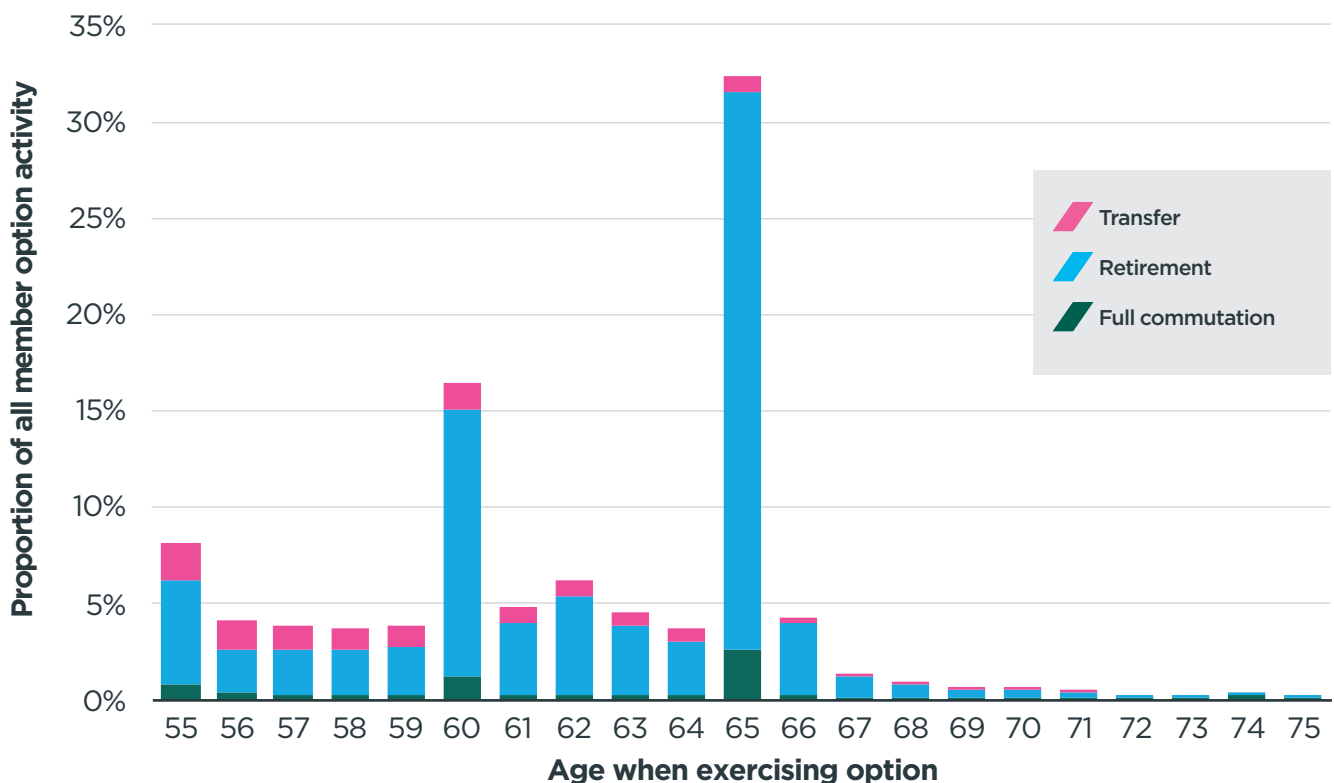
Observing trends in transfer activity over the past five years has highlighted that transferring is very much part of the retirement decision making process, and is a particularly popular option for those members who choose to access their benefits prior to their normal retirement age.

Analysis of member option activity since 2018 of schemes in the XPS Data Pool<sup>1</sup> indicates that of those members choosing to take their benefits after reaching age 55, around 12% have chosen to transfer, with a further 8% exercising a full commutation option. Interestingly, transferring is a slightly more popular option with men than with women, with 15% of males choosing to transfer, but only 8% of females.

Looking at member option activity by age, the majority of members do tend to exercise retirement options at normal retirement age. This is highlighted in the graph below which shows a spike in activity volumes around age 60 and age 65, compared to activity at other ages. Interestingly, few members chose to defer their benefits beyond age 65, and the majority of those that do only defer to current state pension age (age 66).

At ages 60 and 65, the proportion of members electing to retire is much greater. This may suggest that members are choosing the 'default' retirement option when they reach their normal retirement age, as they may not have access to the support and expert advice to explore alternative options.

Member option activity by age: 2018 to 2023

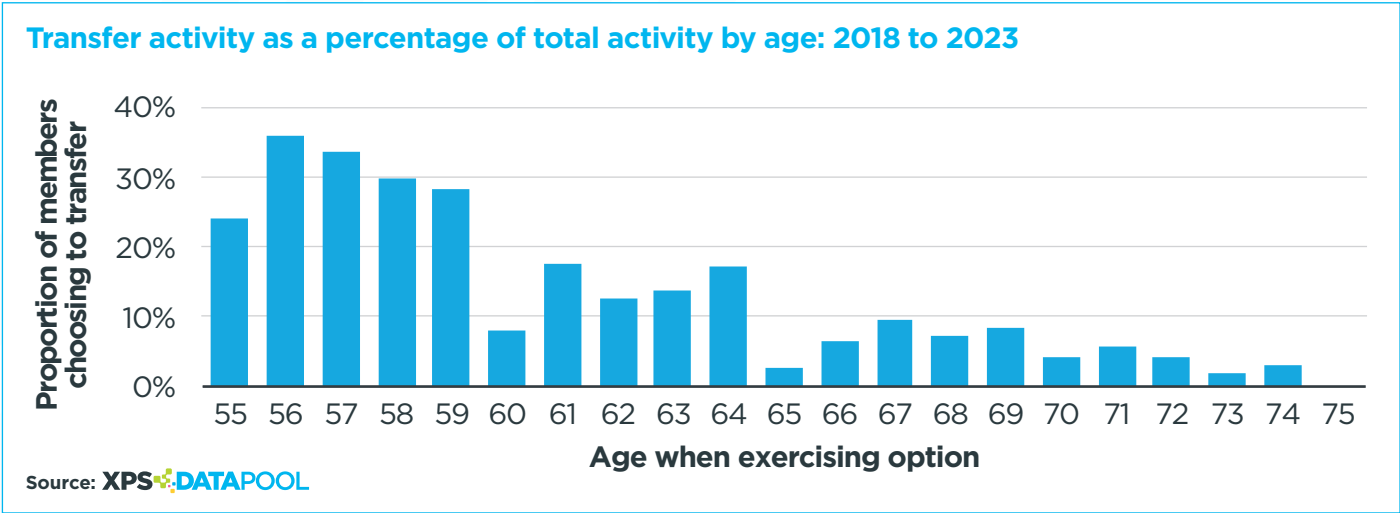


Source: XPS DATAPOOL

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

Of those members who take their benefits by either retiring, transferring or taking a trivial payment, the chart below shows the proportion of members at each age (over 55) who take a transfer.

In general, it is the younger members who choose to transfer, with fewer members electing this option at older ages. However, at ages 60 and 65, which are often normal retirement ages of schemes, we see a lower proportion of members choosing to transfer.

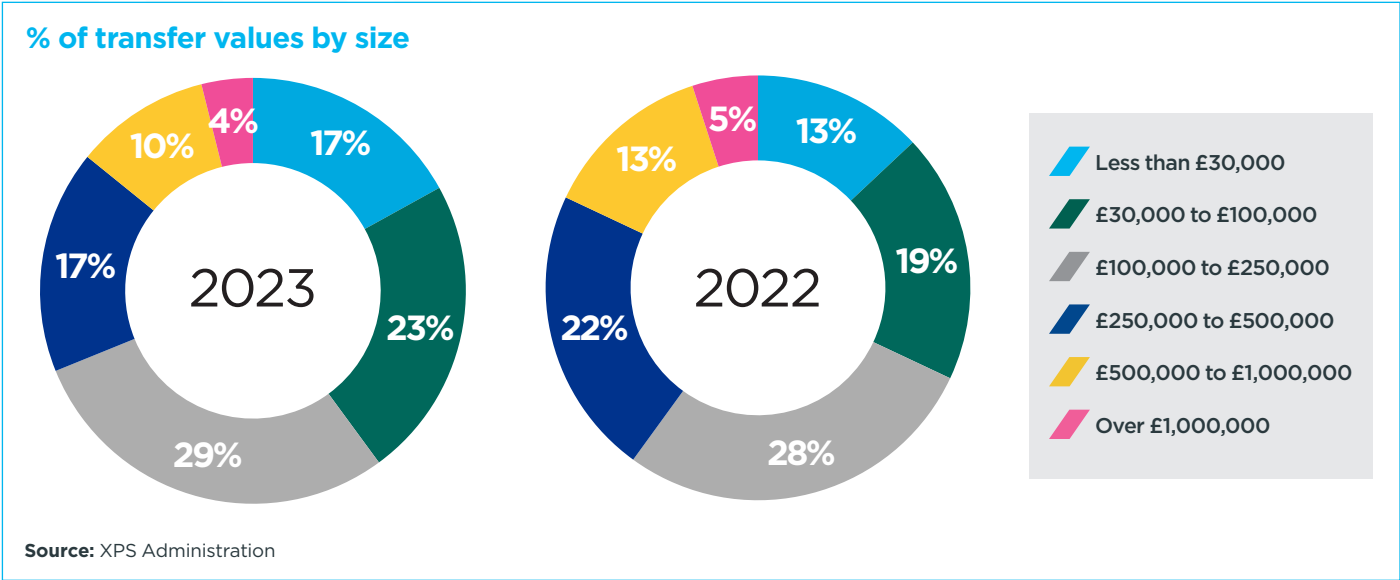


## Continued rise in smaller transfer values

As expected with the size of transfer values falling significantly over the year, the proportion of members who have a transfer value of £100,000 or under has increased, for the second year running, to 40% of members. This is up from just under a quarter of transfers in 2021 and around one-third of all transfers last year.

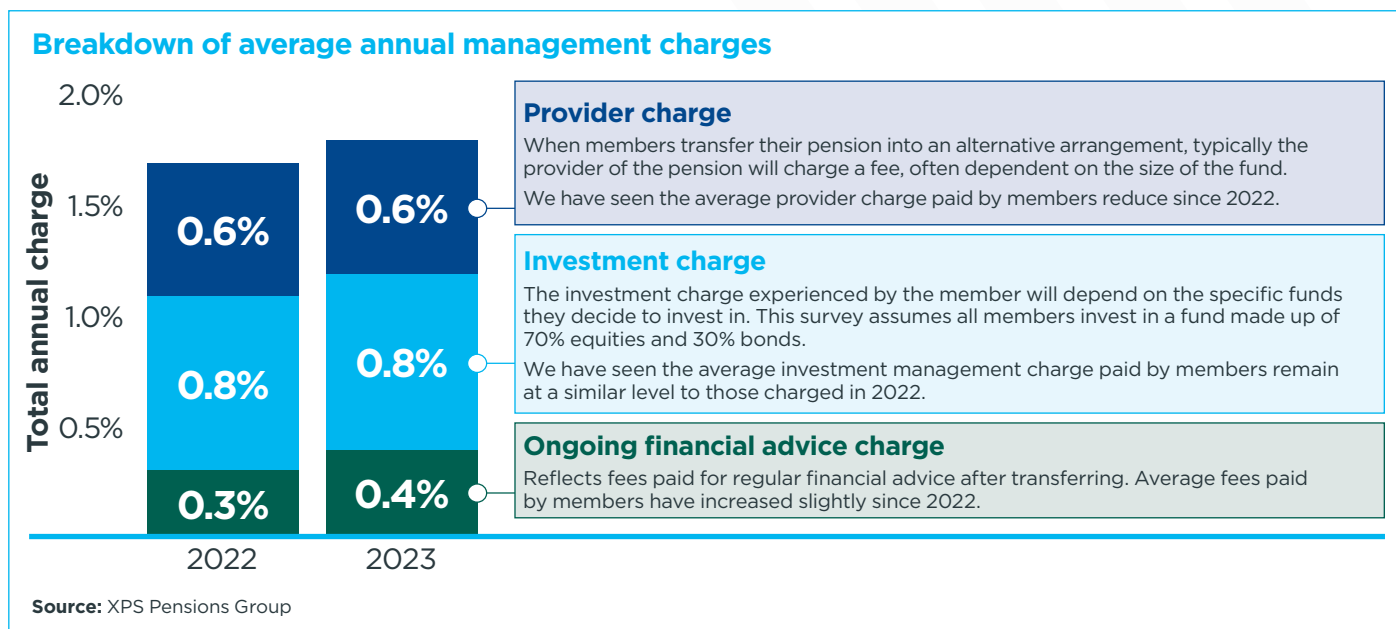
We have also seen another increase in the number of members who have a transfer that is less than £30,000, with just over one in six members who transferred falling into this category. There is no requirement for these members to take financial advice from an appropriately regulated adviser, which means they could be the most vulnerable to scammers. Data from the **XPS Scam Protection Service** highlights that concerns were raised about fees that were being paid after transferring, including lack of knowledge of what will be paid, in over half of members with a transfer value of less than £30,000.

Despite this, such members are unlikely to consult a financial adviser as the cost may be seen as prohibitive, especially relative to the size of the transfer. Members with smaller transfers may also be disproportionately affected by persistent high levels of inflation and the cost-of-living crisis.



# Value for money remains the key challenge

The average charges paid by members when transferring to a defined contribution (DC) fund, as a proportion of their transfer value, has increased slightly this year. This is primarily as a result of the large fall in the average transfer value paid combined with the progressive charging structure used by most receiving vehicles. However, this has been partially offset by a pleasing shift towards members transferring into vehicles offering lower charging structures.

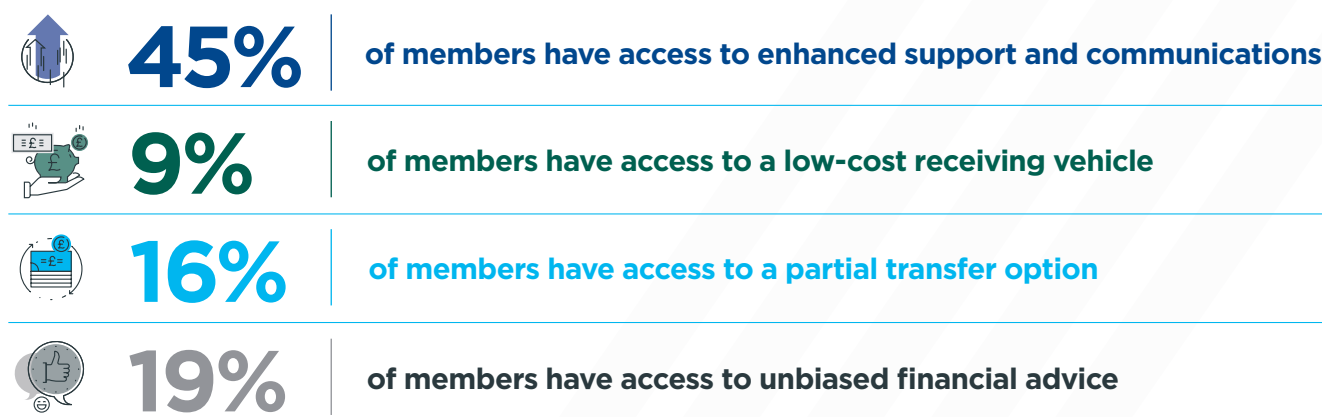


It remains imperative that members get value for money from the potentially significant charges they are paying, and effectively use the services that they are paying for. High quality financial advice, combined with access to a low-cost receiving vehicle, can have a material impact on improving retirement outcomes.

## Trustees are offering more support to members

For the third year running, there has been a continued increase in the number of schemes who have taken steps to improve member outcomes, with around 68% members surveyed being offered some form of support or increased options, which is up slightly from 64% in 2022.

### Survey results 2023



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

# Why act now

The retirement process can be tricky to navigate, and many members are choosing to make active decisions about their retirement, whether it be to take their retirement benefits from the scheme or exercise another option available to them, such as transferring or a full commutation option.

Providing members with the support they need during the retirement process can help to ensure that they make the right decision for their circumstances.

## Recommended actions

Ensuring good member outcomes continues to be an important role for trustees and sponsors of defined benefit schemes, especially as households may find their finances continue to be squeezed. Providing greater support directly to members ensures members choose the right option for their circumstances, which will benefit the member but the pension scheme too. Therefore, we encourage trustees and sponsors to implement our four recommendations below.

### 1 Enhance retirement communications



Defined benefit pensions are complex and decisions such as when to retire and the form of the benefit to access can be very challenging. Providing enhanced communications and support helps members have a fuller understanding of their options, to ensure they make the right decision for their individual circumstances.

### 2 Access to low-cost receiving vehicles



We consistently see many members transferring into products which have high fees and features that they may not require. Giving members access to a low-cost arrangement can result in their money lasting longer or help them to avoid transferring to inappropriate vehicles.

### 3 Offering members the option of a partial transfer



Partial transfers can be beneficial to members as it means they do not have to make the all-or-nothing decision of a defined benefit transfer, allowing them to retain some guaranteed benefit whilst accessing the transferred element more flexibly.

### 4 Access to unbiased financial advice



It can be difficult for members with defined benefit pensions to find a suitable financial adviser. Accessing retirement benefits is a significant decision for members that may be overwhelming for them, so signposting to an appropriate defined benefit specialist adviser or helping to fund the cost of advice can be extremely valuable to members.



Ensuring good member outcomes should be a key focus for trustees, and implementing the actions we recommend will provide support to members helping them to make appropriate decisions about their benefits.

**Helen Cavanagh**

Client Lead, XPS Member Engagement Hub

# About us

**XPS Pensions Group** is a leading independent pension consulting and administration business 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 81 with assets over £1bn.

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