PENSIONS AND
LIFETIME SAVINGS
ASSOCIATION

PENSION TRANSFERS AND EARLY EXIT CHARGES: CONSULTATION RESPONSE BY THE PENSIONS AND LIFETIME SAVINGS ASSOCIATION

A SECURE ENVIRONMENT FOR TRANSFERS IS A NECESSARY PRE-REQUISITE FOR SPEEDING UP THE TRANSFER PROCESS

26 November 2015

INTRODUCTION

We're the Pensions and Lifetime Savings Association; the national association with a ninety year history of helping pension professionals run better pension schemes. With the support of over 1,300 pension schemes and over 400 supporting businesses, we are the voice for pensions and lifetime savings in Westminster, Whitehall and Brussels.

Our purpose is simple: to help everyone to achieve a better income in retirement. We work to get more money into retirement savings, to get more value out of those savings and to build the confidence and understanding of savers.

The Pensions and Lifetime Savings Association (the Association) welcomes the opportunity to respond to this important consultation on barriers to accessing the pension freedoms. The consultation highlights three areas of policy where consumers could, potentially, suffer detriment and where improvements could be made to the consumer experience. These are all important parts of the picture but they are not the whole picture. The Pensions and Lifetime Savings Association will progressively outline its view of the at retirement policy challenge over the coming months. In respect of exit fees and transfers, the Association feels that:

- The ability to transfer quickly and easily is an important part of the pension reform process. Getting transfers right will smooth access to the retirement freedoms but may also pave the way for a resolution of the small pots problem.
- Streamlining the transfer process is important but the security of members' savings has to be the highest priority. Taking care of the security angle will allow the sector to address the speed and cost of transfers.
- To deal with the security issue, the first priority for transfers should be a "walled garden" for transfers in which all parties can be sure of each other's good faith. The second phase should be a revised HMRC registration process such that trustees can be sure that schemes are both legal and legitimate pension schemes.
- The charge cap means that it is important to drive costs of transfers as low as possible. As transfers are a core activity and cannot be charged for directly, it would be unreasonable to charge the membership of a whole scheme for transfers if they remain as expensive to operate as they currently are.
- Standardising transfer documentation, in particular developing a standard discharge form and ensuring trustees are comfortable in its use will contribute considerably to a streamlined transfer process.
- There is little evidence of exit charges other than charges for multiple UFPLS transactions or investment deductions in the Association's membership. Given that many exit charges result from legacy commission arrangements, this is not surprising. There is an important distinction here between charging

for multiple UFPLS transactions and exit fees, where the former is an inevitable part of exiting the scheme and the latter is a fee for service. They should be judged differently
- The Association stands by its position in respect of DB to DC transfers and the need for advice when transferring a fund above £30,000. Members must be made aware of what they are giving up when they transfer from a DB scheme and the only way to achieve this at the moment is through financial advice. The FCA should look at the quality of advice available and receiving schemes or providers should not require advice unnecessarily.

The consultation sets out areas where the Government has identified specific issues to be remedied. This is important and welcome but is not the sum total of the required thinking. There are many other aspects of the pension freedoms that require Government, regulatory or market interventions in order to ensure that as many savers as possible can achieve their retirement income needs. This includes current consultations by the FCA on retirement outcomes, the joint HMT and FCA review of financial advice and the forthcoming review of the DC code and regulatory guidance as well as future work on pension passports and the pension dashboard. Looking further ahead Government, regulators and the wider pension sector will need to think hard about consumer product needs and how to match savers to the income products they both want and need.

In developing this response we have sought the views of the Pensions and Lifetime Savings Association membership, in particular those members operating DB and DC pension schemes.

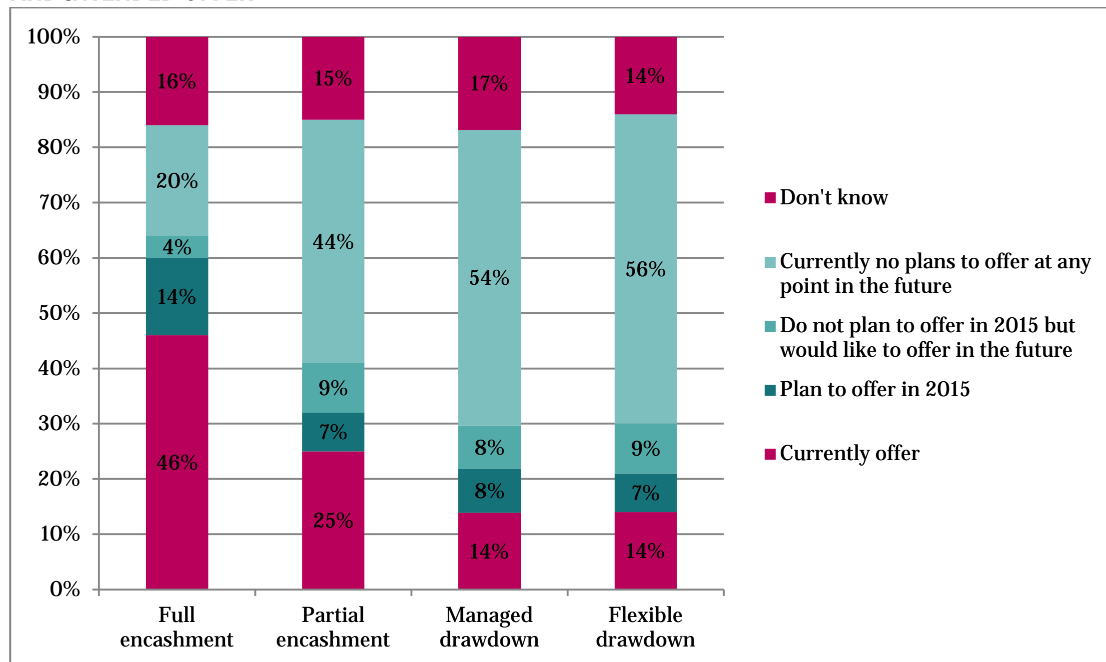
ACCESSING PENSION FREEDOMS

The sector has made significant progress since the announcement of the freedoms last year. There is, though, much more progress required before savers reaching retirement can make the most of the freedoms. The ability to transfer from a scheme that does not provide the freedoms is only one component of this.

Accessing the full range of options under the new pension freedoms will require further reform and additional market development. Savers need a fuller range of retirement income products through which they can draw an income. These need to be of high quality and available at a reasonable price. Government and the pension sector will have to work out how to encourage and facilitate savers to take up these new products. This either means allowing Trustees or IGCs to signpost products they feel are good value and appropriate to a scheme's membership, or it means expanding access to advice and guidance, or possibly both. That in turn has implications for the scope and regulation of financial advice or, alternatively, for the scope of Pension Wise. Transfers matter here as the mechanism for moving people into the products they need. A revised transfer process is one potential part of this evolving policy mix but it will only be one component and there is much more thinking to be done on the eventual nature of the market.

As things stand, not all schemes will be able to offer all of the freedoms. For many, it will not make much sense to ask members to pay for functionality that they cannot really take advantage of. Others are still working out the detail and timing of their offer and for some it may not prove value for money for their members. Members may be better off transferring.

FIGURE 1: PENSIONS AND LIFETIME SAVINGS ASSOCIATION MEMBERS AND THE FREEDOMS: CURRENT AND INTENDED OFFER



Source: Pensions and Lifetime Savings Association survey of Pensions and Lifetime Savings Association membership[1]

Figure 1 shows that schemes have made progress in implementing the freedoms since they were announced in 2014 but that a proportion of schemes are unlikely to offer all of the freedoms. Indeed, many have no intention of providing decumulation products directly. This is not a significant problem, in the past schemes did not directly provide annuities either. It does, though, mean that members may need to transfer in order to access a retirement product or take their money in tranches.

[1] "The Pensions and Lifetime Savings Association (formally known as the NAPF) commissioned Critical Research to conduct a telephone survey of their fund members examining the new Pension Freedoms. Fieldwork took place in April and May 2015; 170 funds responded which is a 24% response rate".

EXIT CHARGES AND FEES

The issue of exit charges is complicated: schemes need to cover their costs and they need to do so in a way that is fair to their membership. It is important to step back and look at the principles of charging as we feel that there are situations in which exit charges could be justified should be an option for trustees. There are several possible rationales for exit charges and fees:

- Set up costs: an exit fee may be levied to recover costs associated with the set-up of a scheme. This is a similar vein of thinking to up front charges but in reverse;
- Feature of investment products: deductions made for early exit from a product, typically to avoid individual exit from a collective scheme disadvantaging other savers;
- Charging for individual services: there are administrative costs associated with some transactions for which it may make sense to charge discretely.

The debate here has three aspects:

- Whether a cost should be met by individual members or whether it should be spread across all members;
- Whether the timing of the charge is appropriate;
- Whether the level of the charge is reasonable – in most cases that will mean proportionate to any administration cost.

In most circumstances schemes tend not to make these choices or reflect these issues directly in their charging structure, although this may have repercussions for the charges levelled against all members' funds. Indeed we believe that almost all of the Pensions and Lifetime Savings Association membership chooses to charge its members in that manner.

A minority of Association members choose to operate some form of exit charge as it is defined by the consultation. Around five per cent of members operate some form of exit charge with 2 per cent operating a genuine exit charge and the remainder operating a service charge for multiple UFPLS transactions above a certain number.

There is a distinction to be drawn here between exit charges that are an inevitable feature of exiting a scheme and charges for services that only benefit an individual member. It follows that they should be judged differently. Charging for services in this manner is something only a small minority of trustees feel the need to do but we feel it is a justifiable approach in some circumstances. For example, it might be preferable for trustees to impose a charge for multiple UFPLS transactions per year rather than forcing all members to pay for the additional costs generated by a small group of members with particularly complex requirements.

Obviously, there is the potential for badly designed or excessive charges to damage the member's experience of the scheme. Two things need to be borne in mind here. First, that the point of the exit charge is cost recovery and second charges should be

proportional. But, ultimately, costs can either be recovered directly from individual members or they can be recovered from the membership as a whole. A cap could, potentially simply spread costs across the whole membership of a scheme. The Association would need a compelling rationale before supporting that approach.

QUESTION 1: DO YOU HAVE ANY EVIDENCE AS TO THE SCALE AND QUANTUM OF FEES AND CHARGES THAT MEMBERS MIGHT INCUR FOR LEAVING THEIR SCHEME OR ACCESSING THEIR BENEFITS EARLY?

About 10 per cent of Pensions and Lifetime Savings Association members operate some form of exit charge. About half of this group operates investment related exit charges – including bid offer spreads and market value deductions – which are defined as out of scope for the purposes of this consultation. A smaller proportion charge for UFPLS withdrawals after a free allocation of withdrawals has been used. Around 2 per cent operate other forms of exit charges. The Association's survey found no evidence of charges for transfer.

We acknowledge that charges for UFPLS are within the scope of the consultation as exit charges but feel that there is a distinction between this sort of charge and exit charges. With charging for UFPLS the charge is a charge for a service that was unanticipated when the scheme was established. This is slightly different to historic exit charges where the charge is an inevitable part of exiting the scheme.

This is broadly consistent with TPR's evidence gathering exercise.

QUESTION 2: ARE YOU AWARE OF ANY EVIDENCE OF CHARGES THAT ARE LEVIED AT, OR ABOVE, AN INDIVIDUAL'S SELECTED PENSION AGE? ARE THERE ANY EXAMPLES OF CUSTOMER DETRIMENT AS A RESULT OF LATE EXIT PENALTIES, AND CHARGES AT AN INDIVIDUAL'S SELECTED PENSION AGE?

As part of their response to providing access to pension freedoms, some schemes have started to offer multiple UFPLS withdrawals. There are costs associated with these withdrawals. Some schemes take these costs from the charges paid by the entire membership, others are passing them on directly to the member making the withdrawal. A minority of schemes charge for making additional UFPLS transactions once a member has exhausted their allocation of free withdrawals. Charging for multiple UFPLS withdrawals once a free allocation has been exhausted could be a justifiable approach. We consider it unlikely to lead to serious member detriment provided that any charge is proportional to the cost of administration incurred by the scheme.

QUESTION 3: IN YOUR VIEW, WHAT WOULD CONSTITUTE AN 'EXCESSIVE' OR UNFAIR EARLY EXIT CHARGE? PLEASE INCLUDE ANY FEES AND CHARGES THAT YOU WOULD CONSIDER TO BE OUTSIDE THIS DEFINITION AND WHY.

The Pensions and Lifetime Savings Association's research into its membership has not encountered evidence of excessive or unfair exit charges. Indeed, exit charges seem an exception and a rarity. As we outlined in our introduction, we think that there are two issues here. The first is cost recovery – direct charges may be a

reasonable approach in certain circumstances in order to prevent inappropriate cross subsidy. The second principle is proportionality. If the principle of charging is cost recovery then any direct charge should be proportional to any administration cost.

QUESTION 4: ARE YOU AWARE OF ANY EVIDENCE OF EXIT CHARGES IMPACTING ON INDIVIDUALS' DECISIONS TO ACCESS THE FLEXIBILITIES? ARE THERE ANY EXAMPLES OF INDIVIDUALS LOSING OUT AS A RESULT OF NOT BEING ABLE TO ACCESS THE FLEXIBILITIES IN THESE CIRCUMSTANCES?

The Pensions and Lifetime Savings Association's research did not uncover examples of this sort.

QUESTION 5: HOW COULD THE SIMPLICITY AND TRANSPARENCY OF MARKET VALUE ADJUSTMENTS AND OTHER INVESTMENT DEDUCTIONS (AS OPPOSED TO EXIT CHARGES) BE IMPROVED TO INCREASE CUSTOMER UNDERSTANDING OF SUCH FEES?

The Pensions and Lifetime Savings Association has no comments to make here.

QUESTION 6: THE GOVERNMENT WOULD WELCOME VIEWS ON THE PROS AND CONS OF EACH OF THE 3 APPROACHES TO ADDRESSING EXCESSIVE EARLY EXIT FEES SET OUT IN PARAGRAPHS 2.26 TO 2.30. IN PARTICULAR, THE GOVERNMENT WOULD BE INTERESTED IN VIEWS ON PARTICULAR COMPONENTS OF AN EXIT FEE OR OTHER CHARGES THAT SHOULD BE CONSIDERED TO BE IN SCOPE OF ANY LIMIT, AND EVIDENCE ON WHAT MIGHT BE THE RIGHT LEVEL FOR ANY CAP.

The government has made many welcome reforms to the governance of pensions. We believe that the new independent governance committees (IGCs) should be given time to resolve issues such as this before a cap is contemplated.

TRANSFER PROCESS

A further look at transfers is both important and timely. HMT is right to identify transferring to access the pension freedoms as important. Making transfers work more effectively will help in a number of other areas. Helping people understand what pension assets they actually have through a dashboard would require similar infrastructure. While proposals for pot follows member are currently being rested, there is still a need to resolve the small pots problem. We need to look beyond just how transfers should work at retirement and consider how they should work across pensions.

That does not mean that because we can make transfers easier, cheaper and faster that they are the right option in all circumstances. Some costs can be reduced but others cannot, this may mean that a transfer may not be worthwhile for a member. For example, the sector can almost certainly drive down the administration cost of a transfer but there are costs to the member that cannot be eliminated or, perhaps, even reduced. The costs of liquidating a member's investment and then then buying units in another fund in another scheme cannot really be reduced. In specie transfers will not be a possibility in the majority of circumstances. The reality could potentially be a transfer from one substantially similar investment product to another. The value of the transfer derived from consolidating any pots may well not be worth the transaction costs incurred. For that reason we are supportive of the dashboard approach.

Those concerns are not reasons or justifications for inaction, just caution. The transfer process needs to be quicker and smoother but also needs to remain safe from scams. There are three angles to this:

- Cost
- Time
- Security

These issues are tightly related and can frequently be seen to drive one another.

COST

As with all other aspects of pension scheme administration, the costs of transfers will ultimately fall on the membership, unless of course a sponsoring employer funds scheme administration. Transfers are also a core activity for the purposes of the charge cap regulations. This means that they cannot be charged for discretely for members of default funds. The costs therefore have to be spread across the whole membership as part of the charge-capped member deductions.

There are several potential pressures on the number of transfers schemes have to process annually. The freedoms and any potential resolution of the small pots issue are probably the most important of these. However, the industry has limited knowledge of what transfers actually cost or should cost to perform.

In 2012, the DWP found that an uncomplicated GPP to GPP transfer over Origo Options cost about £105 to execute, split roughly evenly between the ceding and the receiving schemes[2]. This is based largely on estimates of staff time needed to punch information taken from providers' own systems into the Options portal.

There is no consensus around whether or not the £105 figure is an accurate reflection of providers' and schemes' costs or whether it has since improved. From a certain point of view, it does not matter whether or not is totally accurate. If it is even close to the actual figure, it is a very high figure on which to contemplate significant increases in activity as the pension freedoms begin to have full effect.

TIME

The end to end transfer process for transfers over Origo options is now 7 calendar days[3] . The average transfer time within the trust based sector is 25 days (mean) and 11 days (median)[4]. Pensions and Lifetime Savings Association research suggests that most transfers are completed well within the statutory time limit, while a minority of transfers take an extremely long time to be completed. Communication difficulties with the receiving scheme and difficulties in establishing whether or not a scheme is legitimate are frequently cited by members as barriers to the swift transfer of funds.

SECURITY

The last issue is security. There are many potential security problems with pension transfers. Given the size of the individual funds, they will always be a good target for sophisticated financial criminals. In this particular context, our main concern is liberation frauds whereby individuals are induced to transfer their fund into a scheme intended to part them from their money. Currently, the onus is on the Trustee to identify whether or not the receiving party in a transfer is a legitimate scheme.

Given that it is perfectly possible to be both a criminal enterprise and an HMRC registered pension scheme, Trustees due diligence must be broader and more thorough than the obvious checks. In around 20 per cent of cases, trustees and scheme administrators cannot identify easily whether or not a scheme is a real scheme or a scam. Establishing whether or not a scheme is legitimate can take an unreasonably long time and explains long delays in the transfer process more than any other single factor.

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[2] Wood A., Young P., Crowther N. and Toberman A., (2012) *Processes and costs of transferring a pension scheme: Qualitative research with pension providers and third-party administrators* https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/214404/WP107.pdf

[3] Origo Press Release, 28 July 2015, *Pension providers using automated, scalable pension transfers systems are best able to deal with upsurge in transfer demand post April 2015, says Origo* http://www.origoservices.com/Media/Pension_providers_using_automated_scalable_pension_transfers_systems_are_best_able_to_deal_with_upsurge.aspx

[4] OMB Research (2015), *Survey on Flexible Pension Access: report of findings on the 2015 research survey* http://www.thepensionsregulator.gov.uk/docs/flexible-pension-access-survey-2015.pdf

TOWARDS A SOLUTION

The first two issues (cost and time) can be resolved to some extent by dealing with the third. If security issues are resolved transfer times and the unit cost of transfer can be reduced by automating the process. The DWP suggested during the pot follows member policy development process that creating a "walled garden" of the largest 20 third party administrators would partly resolve the security issue. This would mean centralised due diligence once on each of the participants in the "walled garden" after which each would treat the other as a trusted counterparty for the purpose of pension transfers. DWP estimated that this would bring over 90 per cent of DC members within the scope of a trusted system. It would be for others to outline the exact initial scope of the initiative but the DWP's proposal and rationale seems like the right starting point.

We think that this is a workable first step, although success for the trust based sector will depend on integrating as much of the remaining 10 per cent and deferred members of other schemes as soon as possible. This is extremely important if the transfers system is not to be unfairly biased in favour of any one sector or group of providers

In the medium term, many Pension and Lifetime Savings Association members would prefer either strengthening HMRC or TPR registration such that it is much harder for criminals to register pension schemes that are in fact scams. This would inevitably mean a more stringent registration process for all schemes but one which would resolve many of the issues surrounding transfers.

Regarding integrating the remaining 10 per cent of active schemes and all other legacy schemes, improving scheme validation is certainly an important plank of the process. Many smaller schemes, though, will choose not to offer all of the pension freedoms. This creates a situation where members may wish to transfer from these schemes at retirement.

The primary risk that this system mitigates is the risk of scams. As scams are only a risk if they are the receiving rather than the ceding scheme, it might make sense to allow smaller, unverified schemes to cede pots into the "walled garden" quickly and easily. That should only be an interim step towards a more secure system that allows full participation of a greater proportion of schemes.

Alongside the security issues raised above, Pension and Lifetime Savings Association members also raise communications between the ceding and the receiving scheme as a potential source of delays. Standardisation of this process could be one potential way of reducing the scope for confusion and miscommunication here. Origo has made standardised communications available to both users and non-users of its transfer platform, a move which is a welcome initiative and which the Pensions and Lifetime Savings Association would encourage its members to adopt.

In terms of the technical side of transfers, there are two broad available options:

- Origo, a transfers provider created to improve the performance of the transfers process in the contract based sector;
- The federated database model, underpinned by an open data standard, devised by DWP to support automatic transfers. This model has some similarity to the TISA Exchange model used in the ISA market

While the objective of the two systems is the same, there are important differences in design philosophy between the two approaches. While Origo make copies of their documentation available for use across the industry, their system is underpinned by a closed proprietary standard. This means that other providers cannot build to Origo's standard and insert themselves into the Origo transfer network. An open system by contrast would allow competition between portal providers that might drive improvements in service quality and cost.

In part, the issue boils down to whether or not a single monopoly provider is likely to be more efficient and prove better value over time than a distributed network of competing providers. If the single provider emerges as the preferred solution then that will place much more weight on the governance of the system and, increasingly on its regulation. If one sole provider emerges as dominant then that provider will, effectively, be a private company with a utility-like function.

It is clearly not for the Pensions and Lifetime Savings Association to advocate for one model over another. We are neutral as to which of the two models, or indeed a model as yet undefined, emerges as the desired way forward. That does not mean that the Pensions and Lifetime Savings Association is neutral on the principles that should underpin any reform of the transfer process, in particular that any transfer provider should be sector blind and not inadvertently favour any one sector of the pensions market over any other.

Finally, it is clear from interviewing decision makers that the urgent has driven out the important as regards transfers. The pace of change in pensions, while often welcome and perhaps overdue, has in some cases slowed some market participants' plans to overhaul the way they process transfers. A period of relative calm would enable providers to plan and respond appropriately.

QUESTION 7: HOW IS THE CURRENT STATUTORY PROCESS WORKING IN YOUR OPINION, AND WHAT MORE COULD BE DONE TO MAKE THE STATUTORY PROCESS QUICKER AND SMOOTHER?

In the view of the Pensions and Lifetime Savings Association, the issue is less the statutory process and more administrative. Government needs to work with the industry and regulators, as it did with the automatic transfer consultative process, to find a way forward that all can buy into.

QUESTION 8: WHAT ARE YOUR VIEWS ON ADOPTING A SEPARATE PROCESS FOR TRANSFERS OUT WHERE BENEFITS ARE FLEXIBLE? WHAT MIGHT THIS PROCESS LOOK LIKE, AND WHAT, IN YOUR OPINION, MIGHT BE THE RISKS OF DOING SO?

Based on a survey of the Pensions and Lifetime Savings Association membership, it seems likely that schemes would support a separate process for flexible benefits. There is little reason why the process for safeguarded and flexible benefits should be similar or the same.

The main risk to making transfers faster is the risk to the security of the pensions system. The Pensions and Lifetime Savings Association believes that creating a secure environment for transfers is a necessary pre-requisite for speeding up the transfer process. This should initially consist of a secure environment covering the largest providers and administrators. It should be augmented by a better and more secure registration process for schemes.

QUESTION 9: DO YOU HAVE ANY EVIDENCE OF CIRCUMSTANCES WHERE RECEIVING SCHEMES ARE NOT ACCEPTING PENSION TRANSFERS UNDER THE NEW FREEDOMS, OR ARE PUTTING IN PLACE PROCEDURAL BARRIERS TO DOING SO?

TPR's survey of the trust based sector suggested that a minority of schemes do not accept transfers. The Pensions and Lifetime Savings Association has no further evidence to add.

QUESTION 10: IN YOUR OPINION, WHAT MORE COULD BE DONE TO MAKE THE PROCESS FOR RECEIVING FIRMS ACCEPTING PENSION TRANSFERS IN QUICKER OR SMOOTHER?

The Pensions and Lifetime Savings Association believes that the blueprint set out above should lead to quicker and smoother transfers both for the ceding and the receiving scheme. Schemes tend to raise issues of communication and potential for liberation fraud at transfer. Standardising communications and securing the system would go a long way towards smoothing the process.

QUESTION 11: WHAT, IN YOUR VIEW, IS THE SCOPE FOR MAKING THE PROCESS FOR TRANSFERS MORE EFFICIENT THROUGH A STANDARD APPROACH THAT WORKS FOR THE MAJORITY OF PENSION SAVERS? SHOULD THIS PROCESS FOCUS ON TRANSFERS IN RELATION TO FLEXIBLE BENEFITS? HOW MIGHT THIS WORK IN PRACTICE?

The Association believes that the scope for a standardised process for the transfers of flexible benefits. The creation of a secure transfer system for flexible benefits would allow greater automation and hence reductions in both cost and time.

It is not clear to us that the principles for switching used in other markets are the right way into this issue in their entirety. For example, given that security is a prime concern, it does not make sense for the receiving party to lead the process. This could make more sense in a secure system but that is not the system we have now. That said, few could argue with the need for the process to be fast and for consumers to be protected. The issue of charging for transfers will be partly addressed by the charge cap regulations.

DB TO DC TRANSFERS

The freedoms have already brought significant benefit to many people. We believe that many more stand to benefit in the future. Some serious risks remain, though, including serious risks such as mis-selling. In the Pensions and Lifetime Savings Association's response to the Government's consultation on freedom and choice we argued that DB scheme members should retain the right to transfer to a DC arrangement. We felt that retaining such flexibility was entirely consistent with a policy intention that individuals should have "freedom and choice" in how they take pension benefits. It also preserves important flexibilities for both members and employers.

However, the risk of mis-selling or poor decision making is perhaps most acute in the area of DB to DC transfers. This is partly because the area is highly technical, the significant size of the funds being transferred and the irreversibility of the decision to transfer. For that reason the Pensions and Lifetime Savings Association believes that members need to understand the benefits they would be giving up under a transfer and therefore proposed that such transfers taking place after April 2016 should be subject to the individual taking regulated financial advice if their pot is over a certain value.

Since the introduction of the pension freedoms there has been some anecdotal evidence that some members are struggling to find appropriate advisers and/or are being charged substantial amounts for the advice taken. While schemes have no right to see any advice received by scheme members, in practice members talk to their employers about this issue. We have heard anecdotal reports of quotes for advice in the low thousands on funds that are not much larger. However, these fund sizes are below the current mandatory threshold for advice which suggests that receiving schemes / providers are themselves mandating advice. While providers can set their own requirements, the Association would like to see access to transfers for low value funds more accessible. We believe that any such anecdotal feedback should be set firmly in context. The Pensions and Lifetime Savings Association's own research among non-pensioner members of DB pensions aged 55+[5] suggests that the number of DB scheme members who have actually transferred to DC in response to pension freedoms so far is small at just 5%. This is borne out by the experiences of Pensions and Lifetime Savings Association member schemes who report requests for transfer values as being higher than before April 2015 but actual transfer numbers still being low. The reforms are still bedding in and we do not necessarily think that the actions and experiences of people in the early months of the new freedoms will be relevant to how the policy is working for the long term. Therefore now is not necessarily the right time to be assessing the impact of the advice requirement.

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[5] Pensions and Lifetime Savings Association (October 2015), Understanding Retirement Wave II, survey of 2000 consumers aged 55-70 with pensions not yet in payment (985 with DB pensions not yet in payment as at April 2015)

That said the Pension and Lifetime Savings Association believes that this is an area that the FCA and TPR should continue to monitor. In particular the FCA should consider whether the pension transfer advice requirements remain fit for purpose in the new pension landscape. Ultimately we believe advice is still required for many individuals transferring from DB to DC arrangements. If concrete evidence is found that significant numbers of DB scheme members are struggling to secure appropriate advice at a reasonable cost one avenue the Government should consider whether Pension Wise should be providing this advice.

QUESTION 12: WHAT HAS BEEN THE IMPACT OF THE LEGAL REQUIREMENT TO RECEIVE INDEPENDENT ADVICE ON THE PROCESS FOR TRANSFERRING PENSIONS WITH SAFEGUARDED BENEFITS?

There is some evidence from the Pensions and Lifetime Savings Association membership that the cost of seeking advice is acting as a deterrent to making a transfer. The cost of seeking advice is seen to be a significant barrier for some. The point of the advice requirement is that people should be required to seek advice in order to understand what they may be giving up. A barrier created by the cost of advice is a barrier inadvertently created – even if it were to help some people make the right decision.

The Pensions and Lifetime Savings Association is conscious that there is a range of options here that may make advice and guidance cheaper and more accessible to savers. The right course here seems to be a full consideration of the issue of cost and scope through the HMT and FCA's Financial Advice Market Review (FAMR).

QUESTION 13: HOW COULD THE PROCESS FOR SEEKING ADVICE IN RELATION TO SAFEGUARDED BENEFITS BE MADE QUICKER AND SMOOTHER, AND CLEARER FOR INDIVIDUALS, FIRMS, AND ADVISERS?

The Pensions and Lifetime Savings Association will respond to this and other issues in our response to FAMR. It seems sensible to consider the role of advice across all at and in retirement decisions. .