

AON

2022 Member Options Survey





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Our fifth annual Member Options Survey collated the views of over 300 pension schemes. Building on the results of previous years, it continues to focus on the level of support available to members at retirement and the changes schemes plan to make over the next year.

We also consider the impact of:

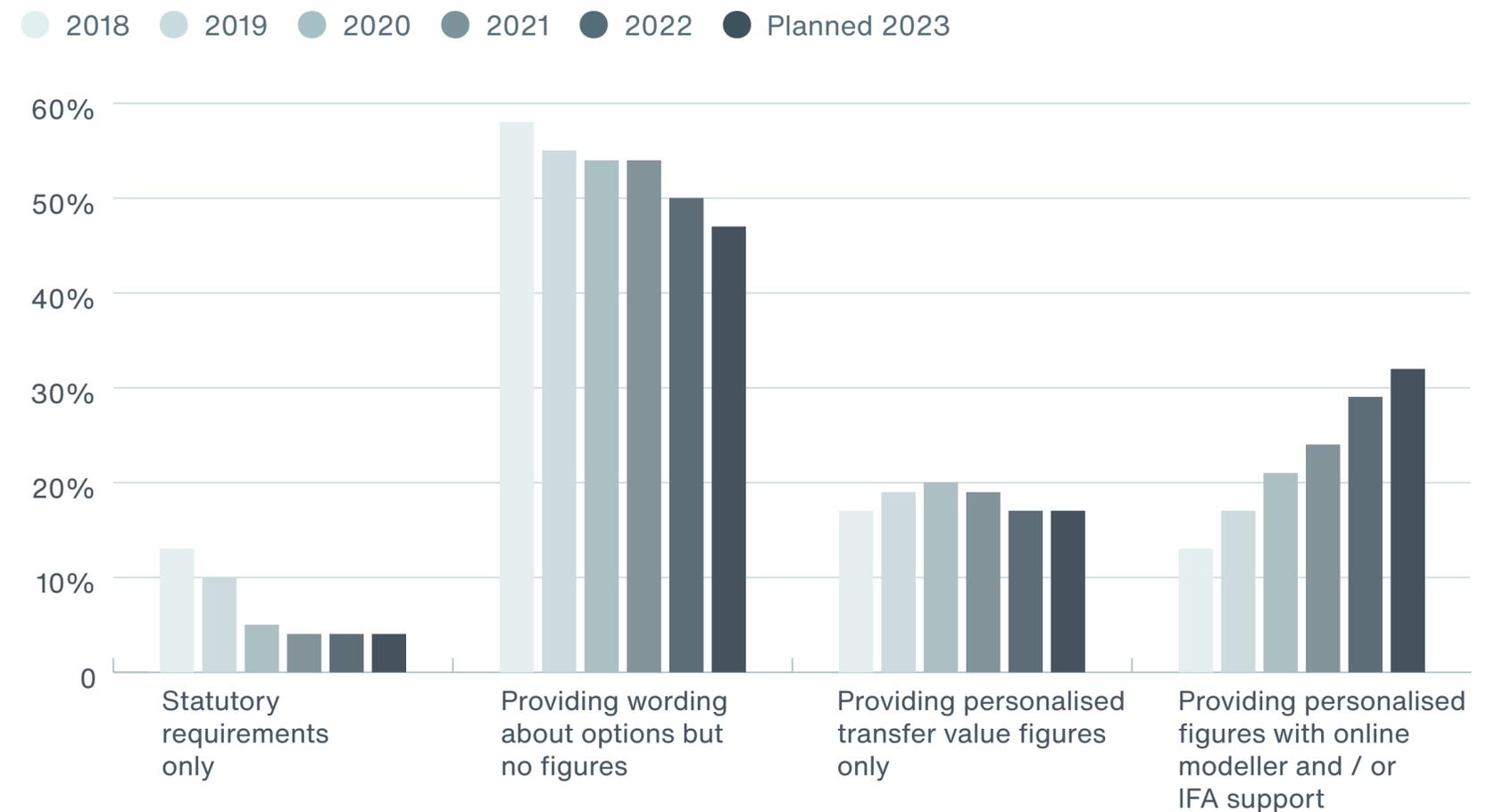
- GMP equalisation from a member options perspective
- Bulk member options exercises as part of a scheme's endgame strategy
- The impact of Inclusion and Diversity (I&D) and Environmental, Social and Governance (ESG) on member support

The Trend For More Support

There has been a consistent upward trend since 2018 in schemes providing members with more support with their retirement decisions. The chart to the right shows us that nearly **one-third** of the schemes surveyed provide (or shortly plan to provide) additional support to members through online modellers or independent financial advice.

Of those schemes looking to provide additional support over the next year, there was an **equal split** between those offering an independent financial adviser (IFA) and those implementing an IFA alongside an online educational modeller. Interestingly, most of these schemes currently provide only wording about the option to transfer. This follows a trend observed in previous surveys, that when schemes decide to make personalised figures available to members, they are only comfortable when doing so alongside support to help members understand those figures.

Proportion of Schemes Offering Different Levels of Support at Retirement



IFA Support

Our view is that it is good for members to discuss one of their most important financial decisions with a qualified financial adviser. This is regardless of whether they choose to retire from the scheme or to transfer elsewhere.

The graphic to the right shows us that where IFA support is provided, most schemes are providing fully paid-for advice. This approach is the current best practice to achieve the highest level of member engagement with the IFA. These results are consistent with the results found in our 2020 Member Options Survey.

67%

of members are provided with **fully paid-for advice**, paid for by the trustee or sponsor.

25%

of members are provided with a **preferred IFA** but members are expected to meet the cost (at a reduced rate because the IFA has been educated on the scheme benefits in advance).

7%

of members are provided with **subsidised advice** in the form of a fixed contribution, paid for by the trustee or sponsor.

1%

of members are provided with a **panel of IFA options** but members are expected to meet the cost in full themselves.



Compared to 2020, where advice is paid for on behalf of members, we also found that there had been a small shift towards advice being paid for solely by the trustee or being shared in some way between the trustee and the sponsor.

Reassuringly, we found that almost **90%** of schemes have plans to review their appointed IFA regularly, and that, of these schemes, **40%** have a governance structure in place to do this on an annual basis.

This practice is consistent with guidance released by the Pensions Ombudsman in March 2021 which stated that schemes should have a mechanism in place to confirm the IFA remains appropriate for the scheme after appointment.

In light of the COVID-19 pandemic and current high levels of inflation, member demand for IFA support has increased and we expect this to continue throughout 2022/23.

Results From Our 2022 Survey

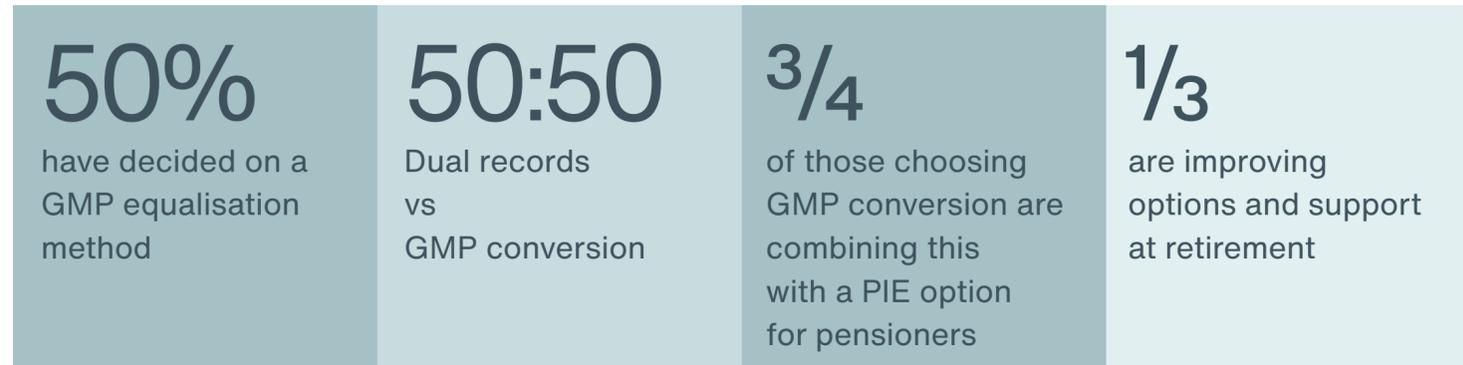


Results From Our 2020 Survey





GMP Equalisation and Member Options



Although there is no deadline for schemes to have equalised GMPs, the Pensions Regulator (TPR) expects trustees to be proactive.

Approximately **half** of the schemes surveyed have already decided on a GMP equalisation method. In our experience, there is broadly a **50:50 split** between schemes choosing a dual records approach versus GMP conversion and, of those schemes choosing GMP conversion, approximately **three-quarters** are combining this with a pension increase exchange (PIE) option for pensioners.

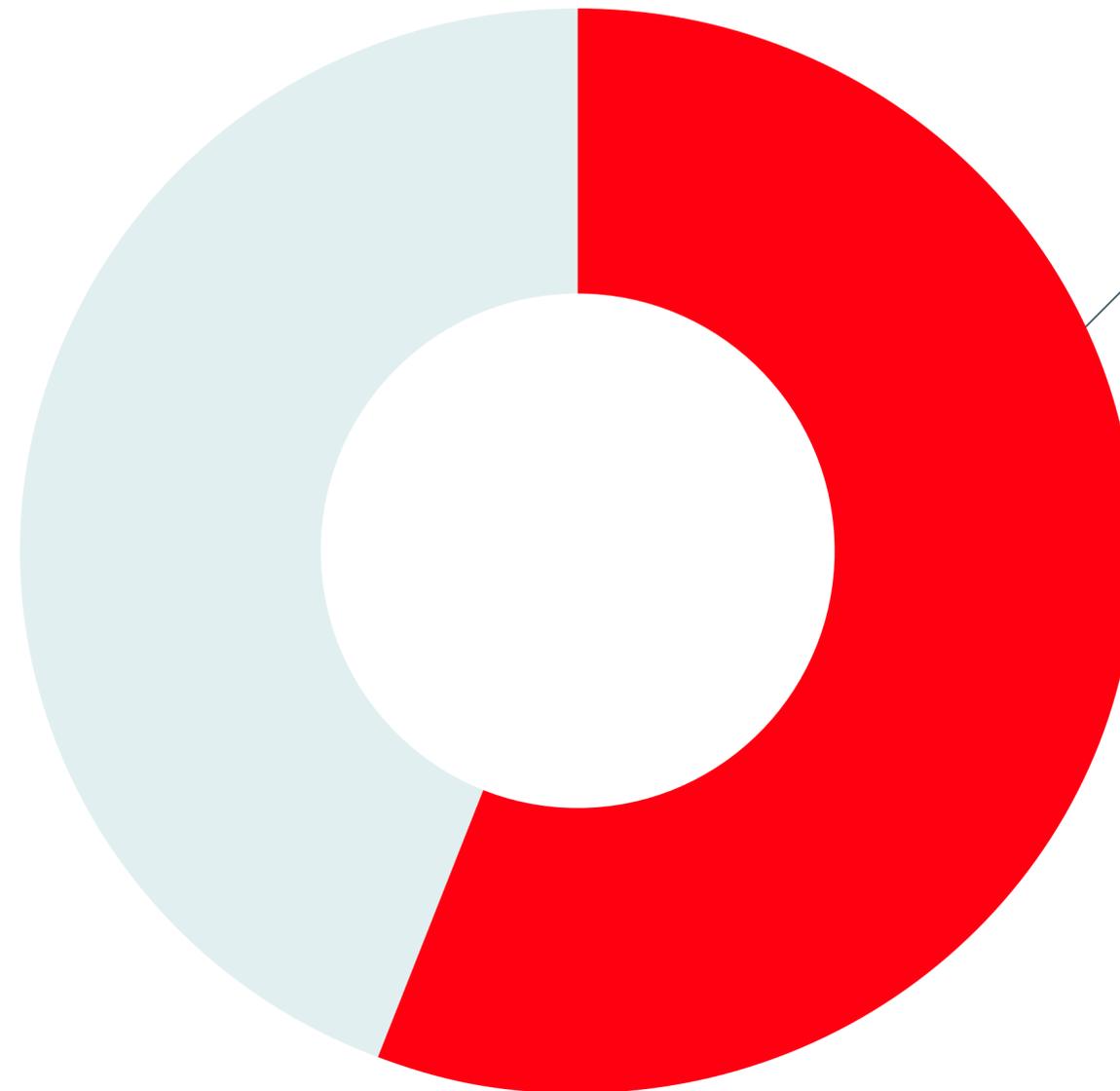
Regardless of the method chosen, our survey also shows that whilst schemes are updating admin processes or communications for GMP equalisation, **one-third** of schemes are using this as an opportunity to improve the options or support that members receive at retirement. This includes:

- Introducing additional options at retirement such as PIE or a bridging pension option
- Implementing additional support such as an IFA or online modeller
- Refreshing the communication strategy

Aside from the efficiencies of making these changes at the same time, this approach also brings value to members in what could otherwise be viewed solely as a compliance exercise.

Bulk Member Options Exercises

Our survey found that **56%** of schemes have **run or are planning to run** bulk member options exercises as part of their long-term / endgame strategy. Where schemes are heading towards an insurance transaction, trustees view it as being good governance to communicate with members about their options before the options and the support available changes irrevocably post transaction. They are also often seen by sponsors as an opportunity to reduce pension scheme risk as part of a strategic roadmap.



56%

of schemes surveyed have run or are planning to run bulk member options exercises.

Examples include:

- Transfer value
- Pension increase exchange (PIE)
- Bridging Pension Option (BPO)
- Trivial commutation

Inclusion and Diversity

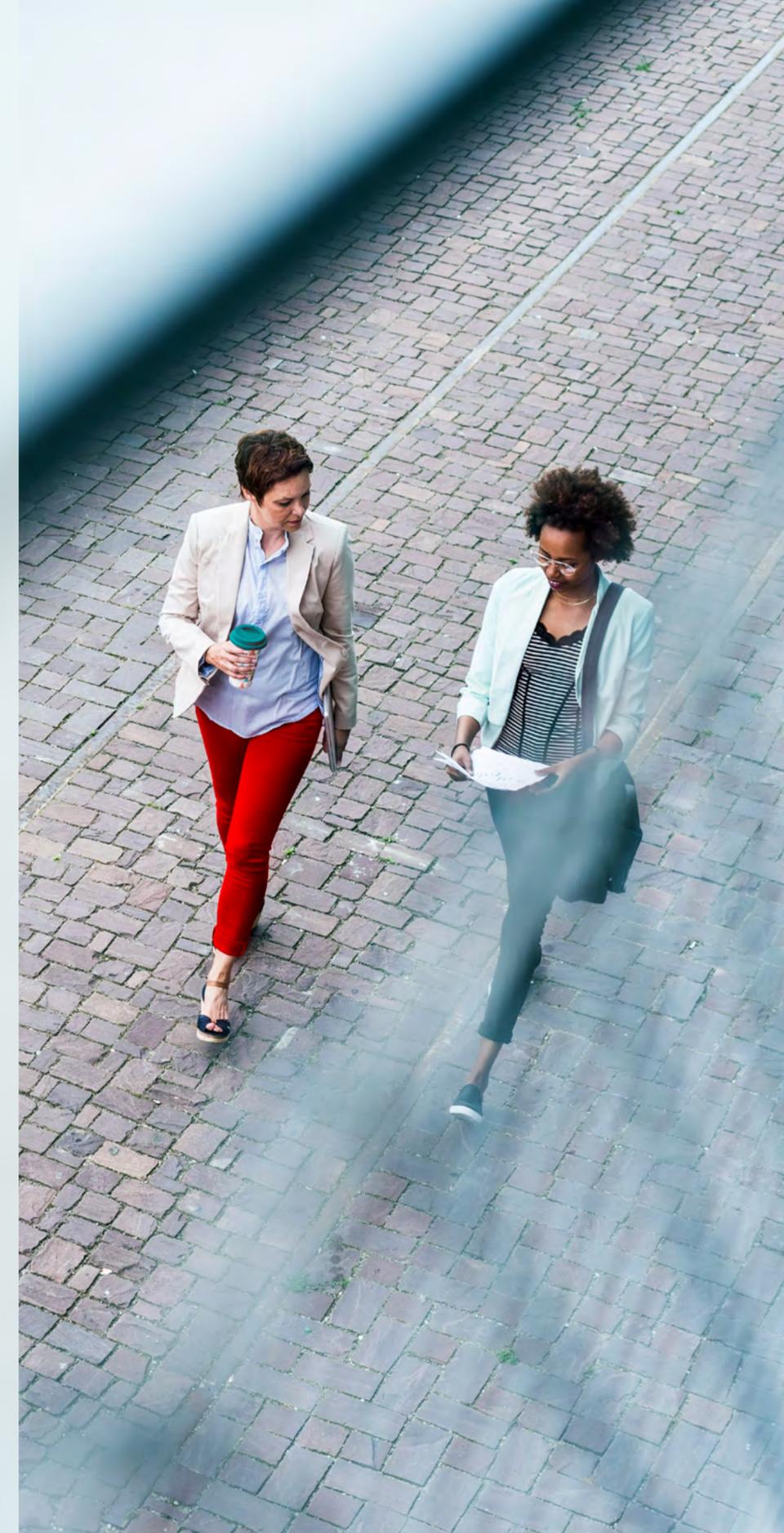
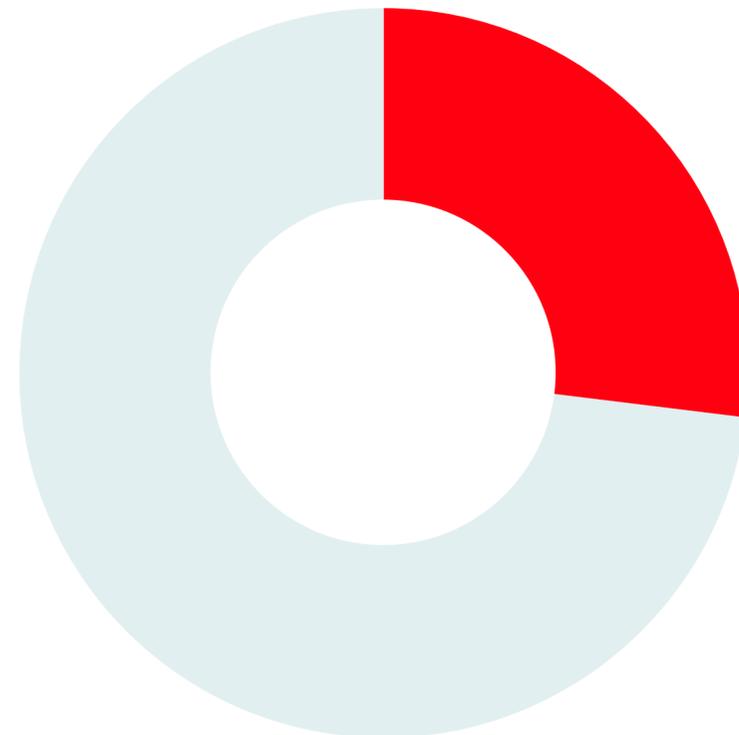
27% of schemes surveyed have started to consider how inclusion and diversity (I&D) impacts the information and support members receive, or are planning to do so in the next 12–18 months. Where schemes have taken action, examples include:

- Reviewing member communications from an I&D perspective with the aim of aligning this with the trustee or sponsors I&D policy
- Running member forums with a diverse group to test retirement support and accessibility
- Strategic changes such as expanding the use of different media to support inclusion

In 2021, TPR set out its new ambitions for equality, diversity and inclusion and their intention to work with the industry so that scheme governing bodies also become more inclusive and diverse. With this in mind, we expect that more schemes will start to consider the impact of I&D on their members in the near future.

27%

of schemes surveyed have started to consider how I&D impacts the information and support members receive.





Environmental, Social and Governance

The Pensions Schemes Act 2021 recently came into force and includes wide-ranging obligations on trustees in relation to climate change. This has brought Environmental, Social and Governance (ESG) into greater focus for many schemes. Despite this, we found that only **30%** of schemes surveyed have considered or are planning to consider how ESG impacts the information and support members receive.

Incorporating ESG into the member communication strategy does not have to be complex and schemes are typically starting by considering the environmental footprint of their paper based communications and moving more of their communication and support for members online.



30%

of schemes surveyed have considered or are planning to consider how ESG impacts the information and support members receive.



Contact Us

If you would like to find out more or discuss elements of the survey further, please contact your usual Aon contact, email us at memberoptions@aon.com or speak to one of Aon's Member Options Specialists below.

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