

**AON**

2023

# Member Options Survey



# Introduction

In a well-established era of freedom and choice, member journeys, support and options are increasingly forming a key part of pension scheme agendas. Schemes taking a minimal compliance route are now in the minority, with a range of drivers leading to these changes.

We can understand these trends more by considering the results of our 2023 Member Options Survey, which is in its sixth year and has 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.

Throughout this report, we explore:

- With a growing number of schemes providing IFA support, we dig deeper into what that support looks like.
- Is member support largely for defined benefit (DB) members, who face higher regulatory requirements, or are we also seeing this trend for defined contribution schemes?
- What are schemes doing for a GMP equalisation solution for their deferred population, and is that driving changes in their member journey?
- With an increased number of schemes actively considering their end-game strategy, how is the member's experience being managed alongside this?



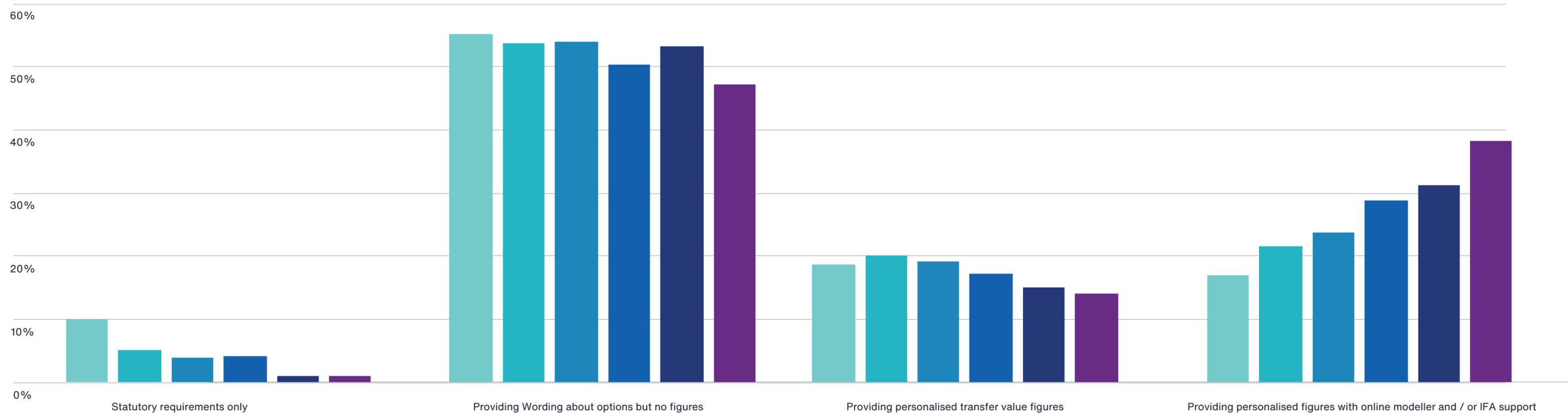
# The Trend For More Support

Over one-third of the schemes surveyed provide (or shortly plan to provide) additional support to members through online modellers and/or independent financial advice. This follows the consistent upward trend since 2019 for schemes to provide members with more support with their retirement decisions, which can be seen in the chart below. In addition, around 50% of schemes put transfer value figures in retirement packs.



Schemes that offer members personalised figures typically also provide support to help them understand the information provided - with twice as many taking this approach compared to those providing figures alone.

Proportion of Schemes Offering Different Levels of Support at Retirement



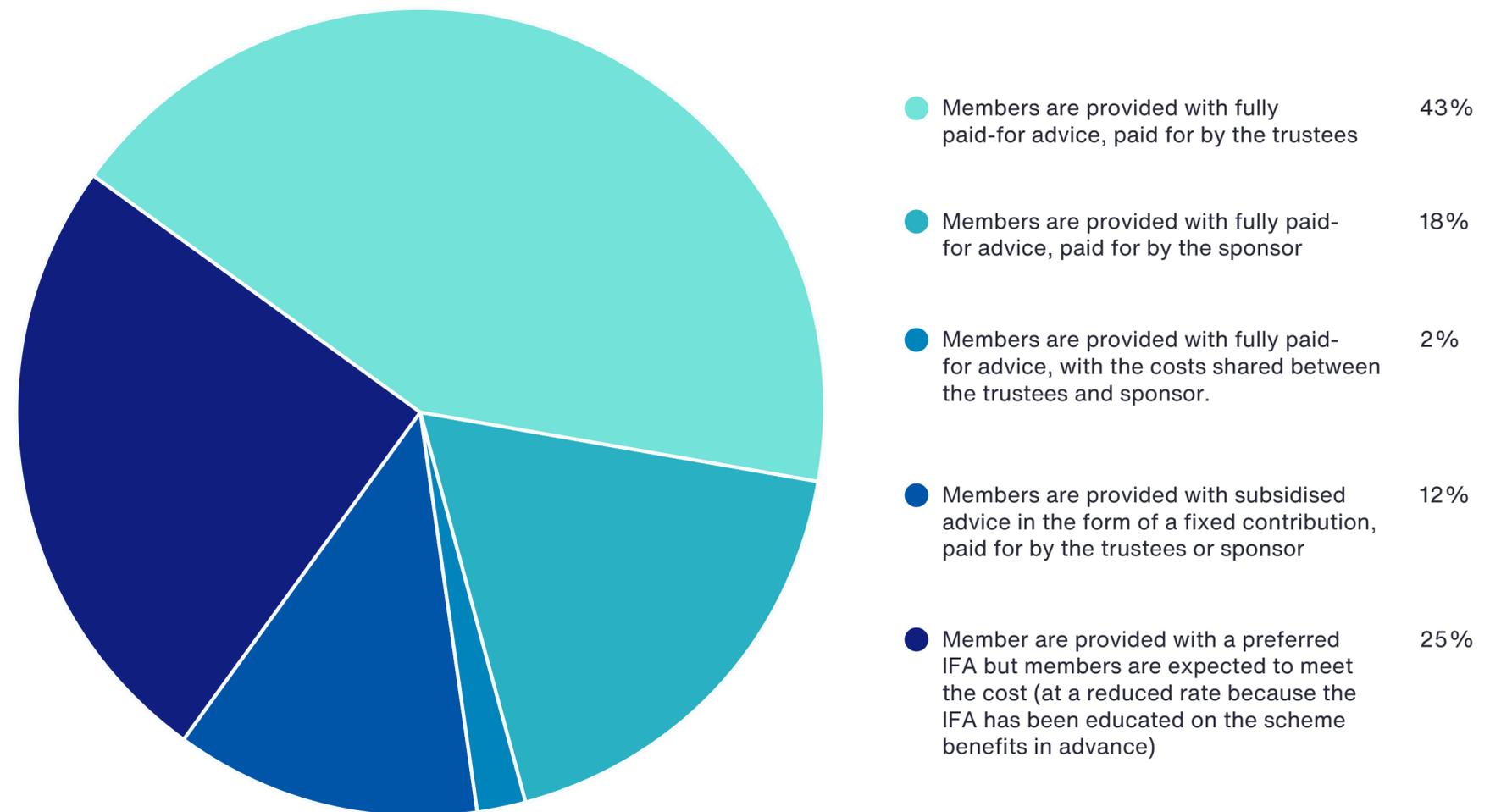
# IFA Support – There’s a Spectrum of Options

Over a quarter of the schemes surveyed reported that they now provide IFA support to their members. Some of the reasons for introducing this support include:

- Retirement is one of the most important financial decisions for a member, and support from a qualified expert can help members make the right decisions – regardless of whether they choose to retire from the scheme or transfer elsewhere.
- If a member wishes to transfer from a DB Scheme, regulations require that a member receives independent financial advice.
- High street IFA costs, availability and credibility can be barriers to members, which can be overcome by appointing a preferred IFA for the scheme.

Where IFA support is provided, most schemes are providing fully paid-for advice, split approximately two thirds funded by the scheme and one third by the sponsor. This approach of providing fully paid-for advice is currently best practice to achieve the highest level of member engagement with the IFA so it is unsurprising that this continues to be the most common approach adopted.

**But it doesn’t have to be all or nothing.** The graphic below shows that of those that provide IFA support, 25% expect the members to meet the cost. There’s still significant member benefits to doing this - because a scheme appointed IFA will usually be provided at significantly lower cost to the member than high street prices.



# What About DC Members?

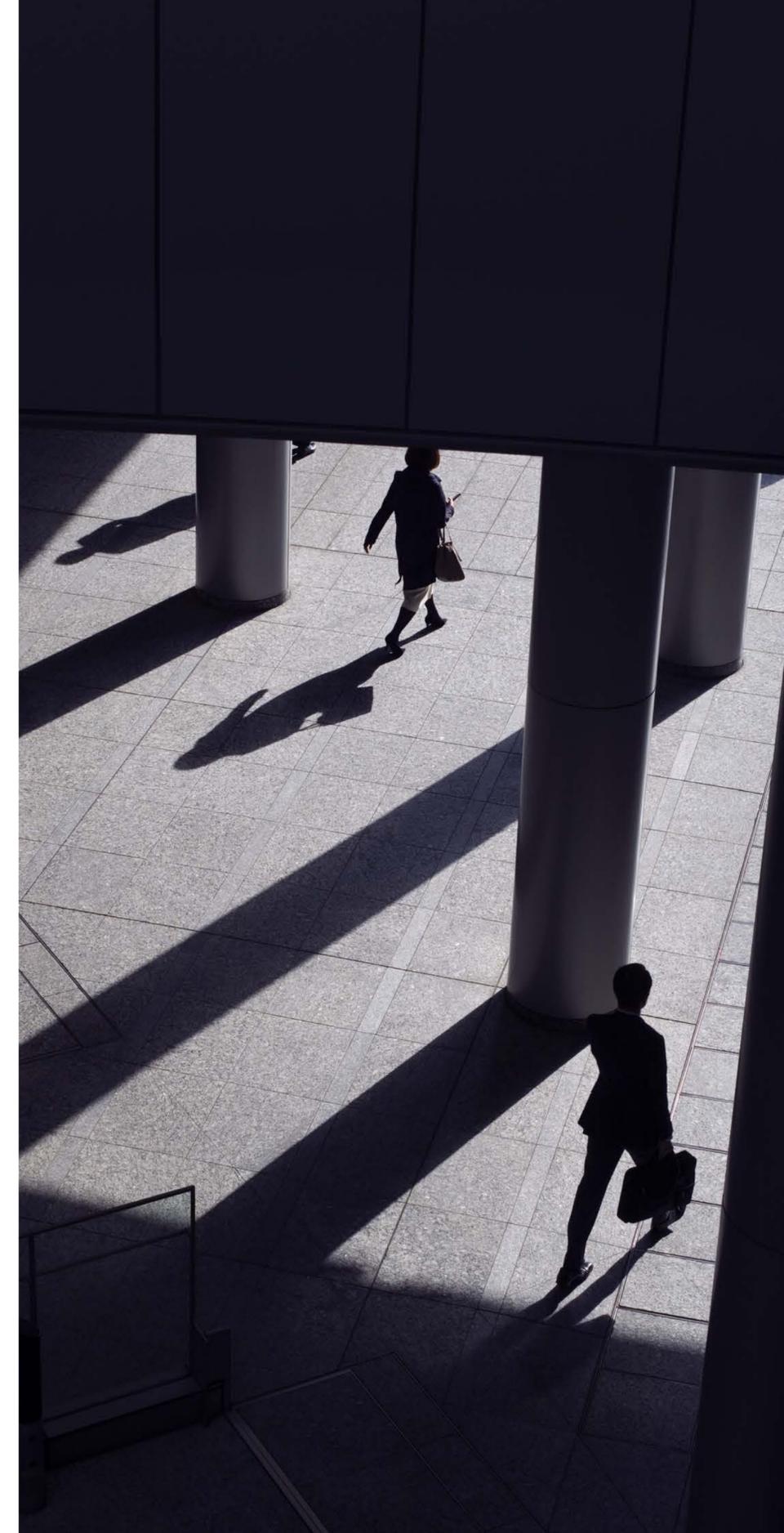
This survey focuses on DB schemes, but a large number of those also have DC sections. For 2023 we sought to also understand the retirement support plans for the DC sections, as while the regulatory requirements are different, if anything, DC members need more support given the options available and the lack of a default retirement option for them.

The survey showed that 7% of respondents currently have in place IFA support or modelling tools to support DC members. Although a low proportion, this figure would have been close to zero a year or so ago, and a further 9% of schemes are actively planning to implement this support in the near future. Of those with support in place, this is heavily weighted towards IFA support recognising the increased complexity of decisions for DC members.

Many of the DC sections attaching to the DB schemes in our survey are AVC arrangements where members take their benefits at retirement as cash, and hence have less need for support. For those DC schemes which are not pure AVC arrangements, we are seeing a significant increase in retirement support provision, in light of the difficult decisions DC members need to make at retirement. We are also seeing trustees and employers working closely together to implement member support in a consistent way across both DB and DC, given the synergies of doing so and the benefits for members of a consistent journey.



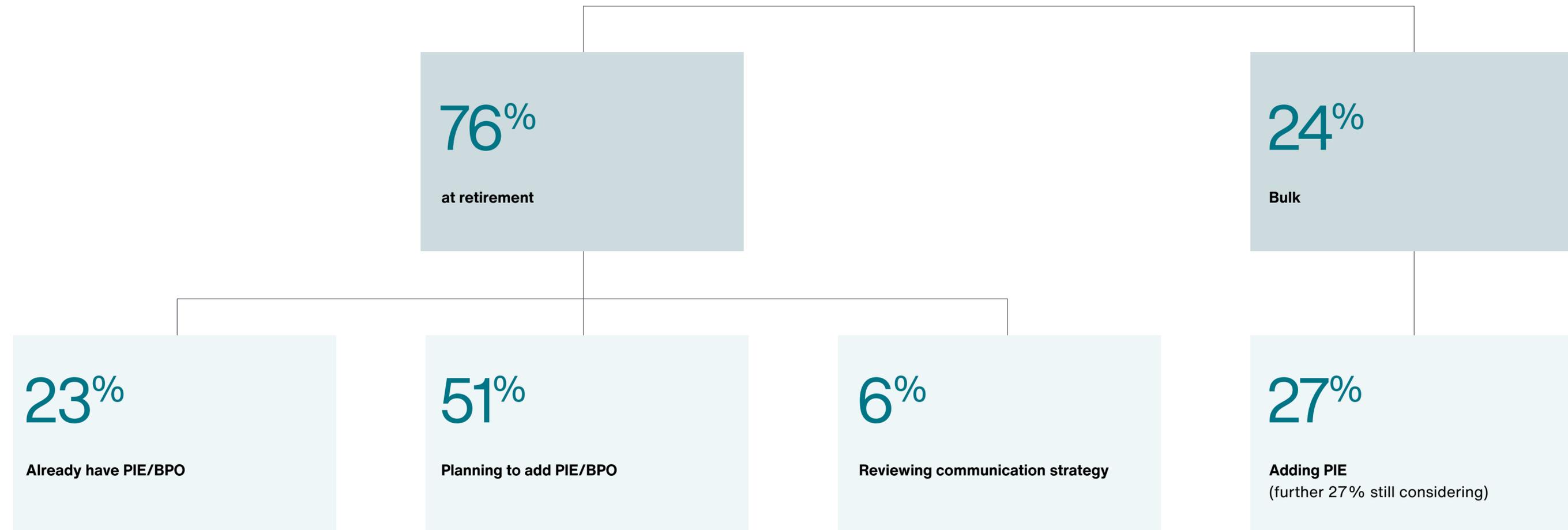
Our 2022 DC pension scheme survey showed that 39% of DC schemes currently signpost a financial adviser firm for advice at retirement, with a further 19% planning to do so in the near future. The DC survey looks in-depth at the full range of member support options that DC schemes are putting in place and you can read the [full DC pension scheme survey here](#).



# GMP Equalisation Solutions for Non-Pensioner Members

Although there is no timescale for schemes to have equalised GMPs, The Pensions Regulator (TPR) expects trustees to be proactive. In previous years we have concentrated our survey questions on GMP equalisation solutions for pensioner members, but in this year's survey we have taken a closer look at the solutions, and any corresponding support, for non-pensioner members.

Just over 60% of schemes surveyed have already decided on a GMP equalisation method for non-pensioners – split 70% dual records and 30% conversion. Of those doing conversion:





Given the changes required to administration processes and communications for GMP equalisation implementation, some schemes are using the project by using it as an opportunity to implement IFA support or educational tools value to members at the same time to bring, refreshing the communication strategy or increasing member options.

Based on those surveyed:



The vast majority of schemes implementing conversion at retirement are adding additional member options or reviewing their retirement strategy;



Almost a third of schemes doing bulk conversion are also adding member options;



Although in the minority, a small proportion of schemes utilising dual records are also making changes to their retirement strategy – showing the dual records approach isn't a barrier to making other changes for members at the same time.

These results follow the trend of increased member support, and as more schemes decide on their GMP equalisation method for non-pensioners we expect the number of schemes offering additional options to further increase.

# End-Game Strategy

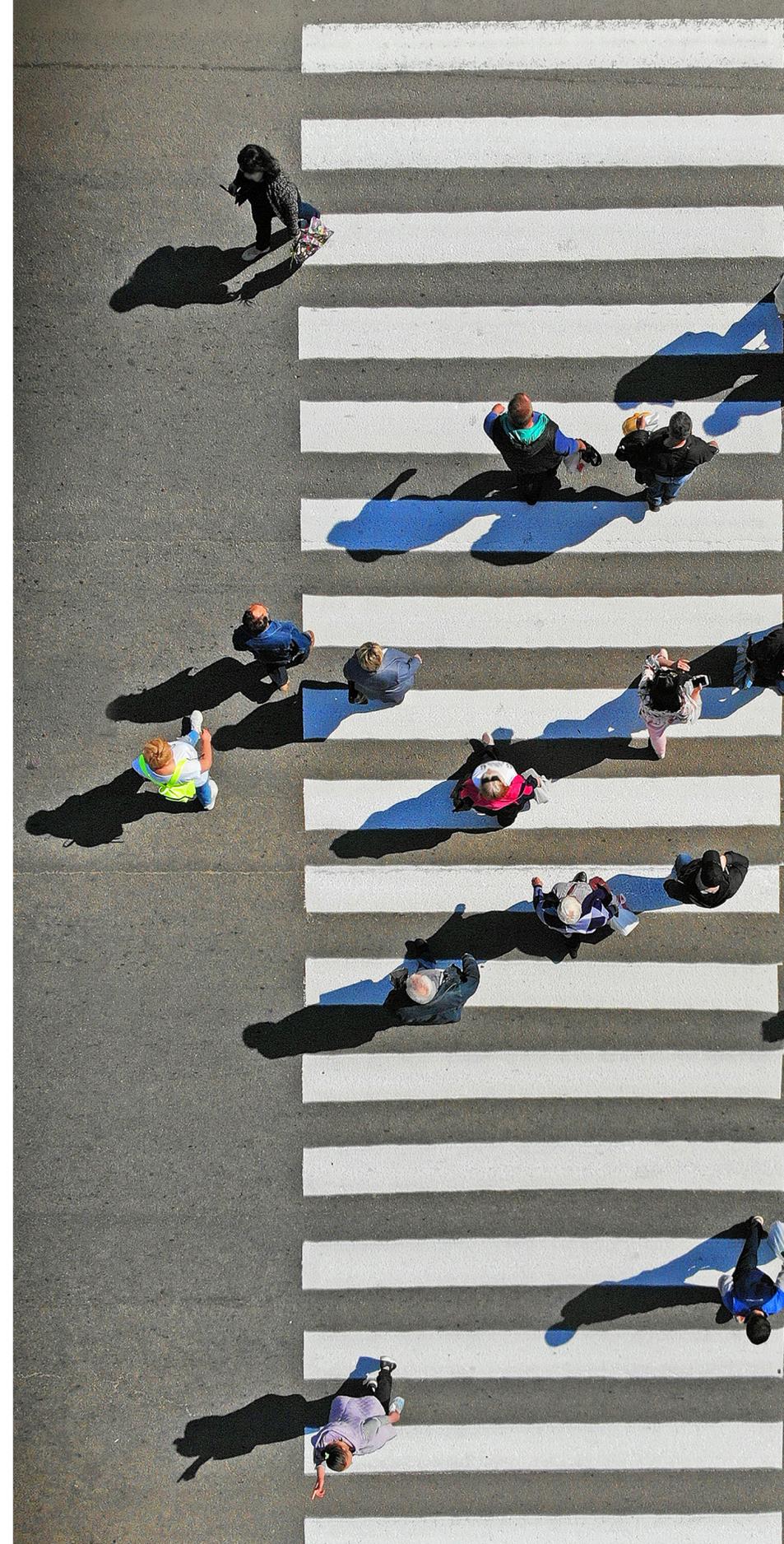
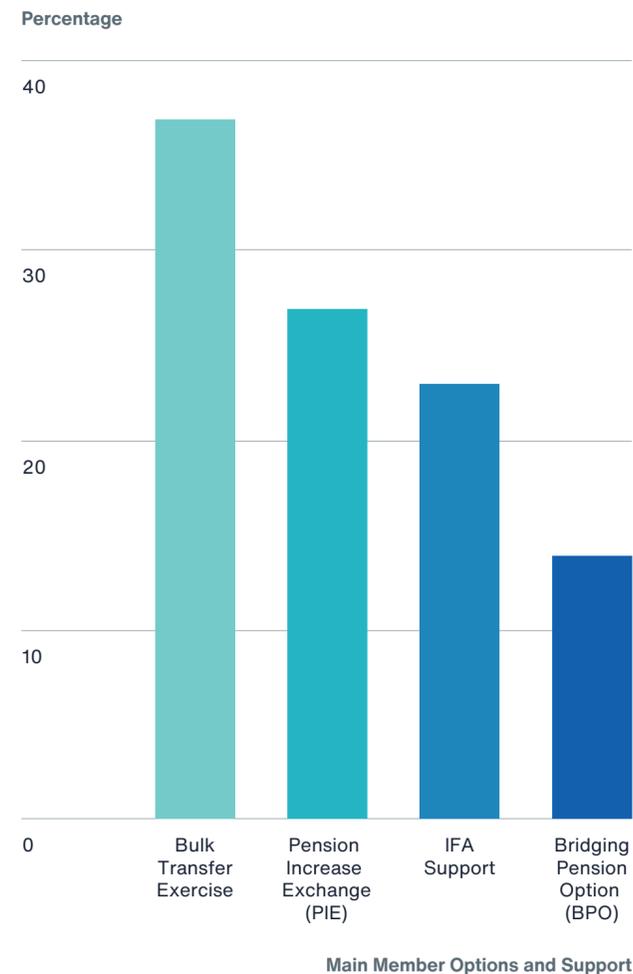
## Does Member Experience Play a Part?

Post transaction, member options change irrevocably and may be higher or lower than currently provided in the scheme – typically we see transfer values are lower and tax-free cash lump sums are higher (but this is scheme specific). In addition, insurers tend to offer a 'no frills' administration service which does not include IFA support or educational modellers – much against the trend shown in the chart on page 3. Where schemes are heading towards an insurance transaction, schemes generally view it as good governance to communicate with members about their options before they change irrevocably post transaction. This is particularly true where schemes have put in place strong support to members (such as IFA support or educational modellers) which won't be available to members after buyout. Such communication exercises are also sometimes seen as an opportunity to reduce pension scheme risk as part of a strategic roadmap.

Our survey found that **30%** have run or are planning to communicate to members in bulk about their options and offer a 'last chance' use of any support as part of their end-game strategy. The graphic on the right shows the breakdown between the main member options and support available.

This year's survey showed that just under **25%** of schemes surveyed place a high importance on member options/support when considering possible buyout dates as they are aware of the importance to members, with some schemes willing to consider delaying buyout decisions as a result.

Breakdown Between Main Member Options and Support Available





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