

### Treasury response to pension transfers and early exit charges

This recent paper from the Treasury, I suspect, will have been welcomed by the vast majority of the industry. It does mean that there is work to do, but it will help ensure that consumers are better able to exercise their pension freedoms.

If you're not like me (a self-confessed pension and pension transfers geek) who absorbs all things transfers related and therefore, you're less familiar with the Treasury paper, let me tell a little bit more about the consultation and its findings.

#### Overview - what are we really looking at here?

The Treasury set out and conducted industry and consumer research in June/July last year to discover more about how pension freedoms are being supported and how consumers are being affected by the changes.

The paper focused on three key barriers namely; early exit charges, the pension transfer process and the requirement for financial advice. Asking key questions like: 'Are early exit charges creating barriers for consumers when they chose to move their monies?' 'Is there enough clarity when it comes to when a consumer seeks advice from an adviser?' and 'Can the transfer itself be done efficiently and cost effectively?' All these questions, and more, were addressed in one shape or another in the report with - what I thought - was a very interesting outcome.

#### Results - outcomes and next steps

As the PMI's Pension Systems Expert Partner, our key focus in the paper was the transfer process, rather than the early exit charges or need for advice. In this respect, the paper stated that for 'FCA-regulated contract-based pensions schemes, transfer times were relatively quick (16 days on average). However, data from the Pensions Regulator showed that the average transfer time for trust-based pensions was much longer (39 days)'

These findings were based on organisations from across the industry. They clearly demonstrate that, as mentioned earlier, there is still more for the industry to do and as a result, one of the government's primary areas for industry action is '**improved scheme administration**, through greater standardised and use of electronic transfer processes to help make processing easier. As well as this, the Treasury stated that 'the Government will also create

a new regulatory requirement for regulated trust-based pension schemes to report on an ongoing basis how they are performing in processing transfers, including against possible benchmarks and new transfer targets.'

As the provider of standards and technology for the industry, we have been very active in this arena and I can say that the attention on the transfer process, with consequent impact on pensions scheme trustees, managers and third-party administrators, is unlike anything we have experienced before in the history of our industry (and we've been going for over 25 years).

#### Industry view - what can be done?

Although technology has been a game changer in almost every respect of our lives, in our industry there has been a reluctance to adopt progressive technology at an organisation level. There are different reasons for this, some down to corporate culture and others simply down to matching (often regulatory) priorities with resource - the consequence of which is that the adoption of an 'automated pension transfer system' has slipped further down the 'to-do' list. But it's evident that without affordable flexibility, members can't truly have freedom in pensions - and the powers-that-be are determined to change that.

We have seen automation of pension transfers reduce transfer times to minutes. Technology has also provided reliable and real-time management information, making auditing and reporting far easier than ever before.

Having the ability to reduce the paperwork for members can help smooth and speed up the transfer process. We recognised this need early on and developed the Origo Common Declarations. The declarations replace the time-consuming and additional paperwork that can be involved with transfers. We've made the Common Declarations available free to the industry from our website.

Of course, speed of transfer has to be balanced with consumer protection, effective procedure, appropriate risk mitigation and overhead cost. But faster processing of pension transfers in the trust-based market is possible today - it just needs moving up the 'to-do' list - and that's good news for scheme members and the industry. 📄



Justine Pattullo  
eServices and  
Adoption Manager  
Origo

We have seen automation of pension transfers reduce transfer times to minutes