

Flicking the transfer switch back on

✓ Roy Porter from The People's Pension explains why master trusts are set to grow

There are early signs the pension transfer market is flickering back into life.

It's partly because employers now have perhaps the widest ever range of options between types of pension products – and between the providers of those pensions.

It seems likely that much of the flow could be from various pension types into master trusts.

At The People's Pension, we've seen interest from other master trusts, some of which lack the scale to effectively survive in a post-authorisation world.

And we know some employers using a group personal pension are looking with envy at the higher governance standards and greater flexibility of master trusts.

Switching from a poorly-governed, old-style product, from a provider focused on paying shareholders, into a modern pension scheme, whose provider returns profits to members, could well be a simple decision for many.

We've looked at this closely – even commissioning research into it¹ – and we've spotted a range of reasons why employers and their advisers would consider transferring provider. We tend to think about them as hard and soft factors.

The first group includes all the things you might expect: accuracy, service, price and market commitment. They're the things advisers focus on before transferring.

Many of these hard factors can be

linked to the provider's values. Is it the sort of provider that puts members first? Where do members fit when it distributes commercial profits? Does it have the scale and confidence to take a financial hit so that members win out in the long run?

A business with member-first values is, in our view, more likely to fare well in the transfer market.

Pricing is a good example of the hard impact of values. Traditionally, a provider would offer better pricing to its larger employer clients. An employee at a large nationwide business 'A' would pay lower fees than one at small local firm 'B' – even if they do the same sort of job on the same sort of pay packet. That could mean materially different retirement outcomes.

We're ripping that up by introducing our banded pricing structure – where a member's fee depends on how much they've saved and not on who happens to employ them. It reduces the fee income we earn but we think it's the right thing to do because it should encourage people to save more for their later years.

The second group of factors are softer ones.

They include client knowledge, the ease of contact, implementation, communications and the value of the offer (a more holistic measure – as opposed to the headline price).

Implementation can be a big undertaking. From an employer's perspective, they're unplugging payroll from a socket that doesn't quite work and

plugging it into another that is expected to deliver much more – and they want to be sure that all the decisions they have made at the set-up stage create a smooth experience over the long term.

What we hear is that advisers (and their clients) value a large and experienced implementation team that can handle complex data transfer exercises and several different types of payroll. This could include moving from net pay to relief at source to help the tax relief position for those earning below the £12,500 tax threshold.

It's the same with communications. There are a host of people who need varying levels of information right around the transfer process – so a provider needs the skills to understand what people need to know, and when.

In fact these and other issues are covered in a new independent Defaqto guide for advisers. It's available at www.thepeoplespension.co.uk.

Overall, it's too early to say exactly how consolidation in the market will look – but the better master trusts we believe will be better placed to benefit.

To find out more information about how we're lowering our charges this summer please go to www.thepeoplespension.co.uk/low-management-charge-PA

Get in touch to see what The People's Pension can offer your clients. Contact us on 0333 230 1310.



Written by The People's Pension group director of sales and marketing Roy Porter

In association with

the people's pension

¹. NMG Consulting, bespoke research for The People's Pension, September 2018