In defence of transfer times

PASA explains the nuances of pensions transfers and the challenges of comparing the times taken to do so, in response to recent claims that transfers take too long for savers

Administrators spend more time speaking to members than any other sector in the pensions industry. So they're well versed in the importance of carrying out transfers effectively. They're very focused on the importance of the member and want the transaction to happen in the best way possible. However, a transfer isn't a simple bank transfer of funds that can happen at Amazon speed.

There are different types of transfer. This is important to note, as there are key procedural differences. For example, a transfer from a DC scheme to another DC scheme is simpler to complete than a transfer from a DB scheme to another DB scheme, or perhaps more commonly a DC scheme (although not without its own complexity).

Sometimes a DB transfer needs the administrator to liaise with the scheme actuary to obtain the transfer calculations. There are others where schemes have given the authority to the administrator to calculate them. Some are automated, some are not. As some DB schemes manage liabilities and are on a route to buyout, the transfer value factors are more dynamic. All of these can create delays.

When looking at timescales, it is important to clarify whether they are elapsed times from the beginning to the end of a transaction or the individual transaction times. There's an important difference between the two as many parties can be involved in the transaction – each of which can drive delay. The extensive documentation needed to complete a transfer is often either only partially completed or arrives over an extended period rather than all together. These factors all impact the elapsed time as missing items are chased and details clarified. The STAR initiative is of merit but focuses on the bundled DC space, and PASA has value to add in transfers from occupational schemes.

Transfers can be complex transactions and while the recent anti-scam measures are there to protect members, they don't make for an easy and smooth process:

- The new regulatory transfer process had to be put in place within very short timescales and it was a tribute to the industry it was made possible. This means, for some firms, interim arrangements had to be used – some of which might still be in place
- The potential red and amber flag analysis by the ceding scheme can be complex and nuanced
- The current regulations regard a 'refer a friend' scheme operating at the receiving scheme as a potential red flag. For the transfer to proceed this requires decisions by the ceding trustees on whether to adopt a different approach – this can take time
- If a member is referred to a Moneywise appointment this needs to be explained to them, set up and the results considered. This also takes time
- Checking the regulatory status of adviser firms and the individual adviser isn't a swift and slick process

Against all of this, we can't expect members – many of whom have a limited understanding of pensions – to understand the detail of transferring funds. The key is managing expectations effectively. If I move house, I might get frustrated at the time it might take but I recognise this is one of my most valuable assets and it needs to be done properly. For many people, the transfer value may well represent their single most valuable asset (more than their home if they're lucky enough to own one) so it needs to be treated with due care and attention. As my late mother would have said… "More haste, less speed".

Written by PASA director, Paul Sturgess