



*cutting through complexity*

PENSIONS

# Member options survey 2014

Supporting your members through  
their retirement decisions

[kpmg.co.uk](http://kpmg.co.uk)

December 2014



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**We would like to thank the Independent Financial Adviser firms who provided information for this survey.**

# EXECUTIVE SUMMARY

We last published a Member Options Survey in 2012 and shared information and insight into three of the more popular member options available to members of defined benefit (DB) pension schemes:

**Flexible Retirement Options (FRO)** – The option for members aged over 55 to retire immediately by transferring out of the scheme

**Enhanced Transfer Values (ETV)** – The option for members aged under 55 to transfer out and invest their pension pot with the aim of increasing their benefits at retirement

**Pension Increase Exchange (PIE)** – The option for current pensioners or members retiring to exchange future pension increases for a one-off increase to their pension.

These three options remain at the forefront of member options, however, the environment in which they operate has changed dramatically.

## Two key events have led the market changes:

1. The publication of the industry Code of Practice (the Code) for incentive exercises which set out minimum standards of good practice
2. The 2014 Budget which announced radical changes to UK retirement choices from April 2015.

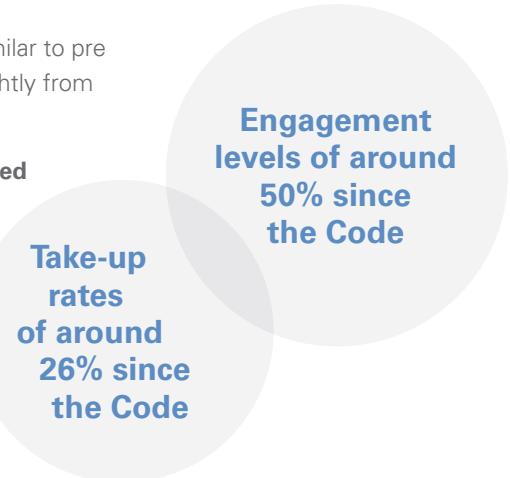
**A changing outlook for the UK retirement process as a whole has, and will continue to have, knock-on implications for member option initiatives.** The greater level of flexibility on offer going forward presents a wide and exciting opportunity for schemes to engage with their members and help them to benefit from the new choices available.

**For this year's survey we have focussed on the member; what do member options mean for them and how best to engage with them in their retirement decisions?** The survey looks at the experiences of 97 completed member option exercises, covering over 180,000 members. We have also had the benefit of input from four of the leading Independent Financial Adviser (IFA) firms who have shared their insight on the member experience based on the direct contact they have with members.

**Member engagement** in PIE exercises has seen a marked increase since the release of the Code (32% up to 46%). Engagement with FRO exercises has remained broadly stable (at around 50%) over the same period, however, preliminary data from exercises currently underway (i.e. those that are taking place since the Budget announcement) indicates a step increase.

**Member take-up** of both PIE and FRO exercises has remained similar to pre Code levels (PIE reducing slightly from 32% to 27%, FRO increasing slightly from 23% to 26%).

Around **85% of PIE exercises carried out since the Code have continued to retain a proportion of value within the scheme** and, under the Code, are required to provide full IFA advice to the members.



## Member experience

Designing an effective 'member experience' is key to achieving the levels of engagement which will result in increased benefit to all of the stakeholders. It is important to recognise that all populations are different and there is no 'one size fits all' approach.

The initial contact with members will form their first impression; **less than 10% of the members who contact IFAs have a high level of understanding** at the outset of a project and this initial communication should therefore start at the most basic level. The resources and process for engaging with the IFA should be both cost effective and easily accessible for the member; **on average, two thirds of members who make contact with the IFA go on to complete the advice process**. Of these, only around 20% involve a third party (such as a family member) in their IFA discussions. Increasing this completion rate can help drive higher take-up.

## Market outlook

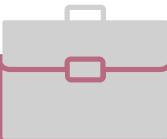
The Budget announcements have led to a higher degree of interest from members around their retirement provision. As a result, **IFAs are forecasting increased levels of engagement** in member option exercises – this will primarily be for FRO exercises but there is likely to be a knock-on effect on PIE offers also.

The retirement advice process will become more complex as a result of the increased flexibilities. IFAs report that they are developing their processes to incorporate the wider range of retirement options and will continue to undergo ongoing review to ensure they remain up to speed with the anticipated influx of new retirement products.

Effective use of **education and filtering stages will become more relevant** as members seek to understand the range of choices and to enable IFA costs to be focussed in an effective manner.

# MARKET DEVELOPMENTS

**There have been two significant events which have influenced the role that member options for defined benefit members have going forward. Both are generally felt to have had a positive influence.**



## 2014 Budget Announcements

**As part of the 2014 Budget the UK Government announced some of the most radical changes to pensions for years.**

In a nutshell, the headlines are as follows:

### **Benefit flexibility**

From April 2015 defined contribution members will be able to draw pension from their pots as they wish from age 55 onwards – simply paying tax at their marginal rate with the first 25% still tax free. DB members will also have the ability to benefit from this flexibility.

### **Guidance guarantee**

DC members will have a right to free, impartial guidance at retirement. The final details are yet to be published but it is anticipated that this will be provided by independent organisations and funded by a new levy on financial services firms. The government is making £20 million available to help industry develop this initiative.

Industry is already developing new products and services to cater for members' needs in the post 2015 environment. It is anticipated that this innovation will continue over the coming years as member preferences become known and gaps in the market become filled.

IFAs are already adapting their processes to cater for the increased flexibility and are anticipating increased levels of member engagement when it comes to making decisions about their retirement.

The implications for UK retirement provision is significant and the role of member option exercises becomes increasingly relevant. We investigate this further on the next section, 'Market Outlook'.



## Code of Good Practice

In June 2012 an industry working group published a voluntary “Code of Good Practice for incentive exercises for pensions” (the Code).

*The Code has been key in driving best practice for member options exercises*

### What does the Code do?

The Code recognises member options as legitimate tools for managing pension liabilities and largely reinforces good practices that already exist in the industry. There are seven principles that should be followed:



In June 2014 the Department for Work and Pensions (DWP) conducted research into the effect of the Code, looking at a sample of exercises conducted following the introduction of the Code.

### Their conclusions included:

- Every exercise in the sample was implemented in line with the Code and these exercises experienced few difficulties meeting its requirements;
- The Code provides a benchmark to check performance against and a reassurance that the employer is ‘doing the right thing’;
- The Code has encouraged some employers to look at incentive exercises again, having stopped using them previously; and
- The Code in effect endorses the actions of those complying with it, providing ‘evidence’ that best practice has been followed.

Feedback from IFAs align with the above findings, in particular, IFAs are not being approached to take on exercises which do not comply with the Code. Indeed, some exercises go beyond the recommendations of the Code by providing a greater level of IFA support.

# MARKET OUTLOOK

**The 2014 Budget announcement has significant implications for UK retirement provision as a whole. The impact on member option exercises is also expected to be notable, with IFAs already adjusting their advice processes to cater for the increased engagement and range of options.**

## Flexible Retirement Options (FRO)

The future of FRO looks wide and exciting. Changes to member behaviour arising from the Budget, combined with an anticipated influx of new retirement products, will have significant implications for the retirement support provided to members.



### .... Changes in member behaviour

IFAs are forecasting increased levels of awareness and interest from members around their retirement decisions. FRO exercises are therefore expected to see an **increase in member engagement levels** as a result of the Budget announcements.

Given the increased complexity, it is crucial that a strong advice process is in place to **ensure members are making informed decisions**. It is widely anticipated that the option to transfer benefits to a DC fund in order to **benefit from the greater flexibilities available** will increase in popularity, particularly for individuals with lower fund values.

Currently, one of the biggest barriers to retirement is that many individuals do not have sufficient funds to meet their retirement needs, causing them to continue in work for a longer period. With an improving economic outlook we expect that this barrier will gradually be broken down and more members will be in a position to decide how, rather than if, they take their retirement income.



### .... The future of the member advice process

Many IFAs are already including the greater flexibilities available from April 2015 in their retirement advice process. This has made the **advice process longer and more complex**.

The increased flexibility in the UK retirement market is expected to lead to the rapid development of new post retirement products over the coming years, for example, elect to draw down an income today but pay an ongoing premium to cover longer term needs such as costs of care later in retirement. IFAs will be at the forefront of communicating these products to members. This will require ongoing reviews of their advice processes to ensure that they are in a position to **share information on the latest range of products** with members.

***"We expect [volume] to increase dramatically"***

IFA view on number of members seeking retirement advice post April 2015

***"Our processes will be evolving as the advisory landscape develops"***

Quote from leading IFA

Whilst the increase in the variety of retirement options and products should help members to achieve a better retirement solution, it does have the knock-on effect of **increasing the cost of advice**. Many IFAs are already adapting their pricing structures so that there is recognition for the varying complexity of the different routes available and we expect this to continue to develop over the coming years. There has been some concern around IFAs having a vested interest in advising members down the draw down route so as to benefit from ongoing adviser income in the future; some IFAs are exploring options to place ongoing draw down support with a third party to mitigate this conflict.

## Pension Increase Exchange (PIE)

PIE has a key role as one of the few options available to modify benefits for current pensioners.

The Budget changes do not directly impact on PIE offers, however, it is expected that the increased interest and publicity around retirement flexibility will have the knock-on effect of increasing the engagement experienced in PIE offers also.



..... **Guidance or advice?**

The Code has had a more direct impact on PIE offers than the Budget, with its specification around the level of support that should be made available to members. There are two levels of support that may be provided:

**Guidance** should be provided as a minimum where the value of the member's pension is unchanged before and after the exchange. Guidance includes a discussion with the member regarding the issues they must consider in relation to their option with a written follow up. Importantly, it does not include a recommendation.

**Advice**, including a recommendation, should be made available where the option provided to the member would result in a liability saving assessed using the standard transfer value basis.

Prior to the Code many PIE offers did include the support of an IFA, but this was typically providing guidance to members rather than full individual financial advice. Today, the majority of offers involve the provision of full advice. IFAs are reporting that, even where guidance would be sufficient under the Code, some companies and trustees are opting to provide full advice to their members. This additional level of support has increased the IFA costs of supporting PIE offers.

## Bulk exercise or Business as usual?

Historically member option exercises have been run as bulk, one-off offers to eligible members. This allows trustees and companies to proactively approach all eligible members at the same time, resulting in efficiencies and bringing about an immediate benefit to the scheme.

It is becoming increasingly commonplace for these options to be introduced on a 'business as usual' basis, typically at the time that a member considers their retirement options (although some schemes are more proactive about this and approach members at the point they become eligible, for example, when they reach age 55). Business as usual options are often introduced following the successful completion of a bulk exercise; members for whom personal circumstances meant that the timing of the bulk offer was not appropriate can therefore benefit from the option in the future.

The increase in the range of retirement options will mean that FRO becomes an integral part of the retirement process. This is particularly the case for larger schemes where the volume of retirements allows for the cost effective retention of an IFA on a business as usual basis. For smaller schemes the cost of this support may be disproportionately high and an ongoing program of bulk exercises (every couple of years, say) may be the preferred route.

# THE MEMBER EXPERIENCE

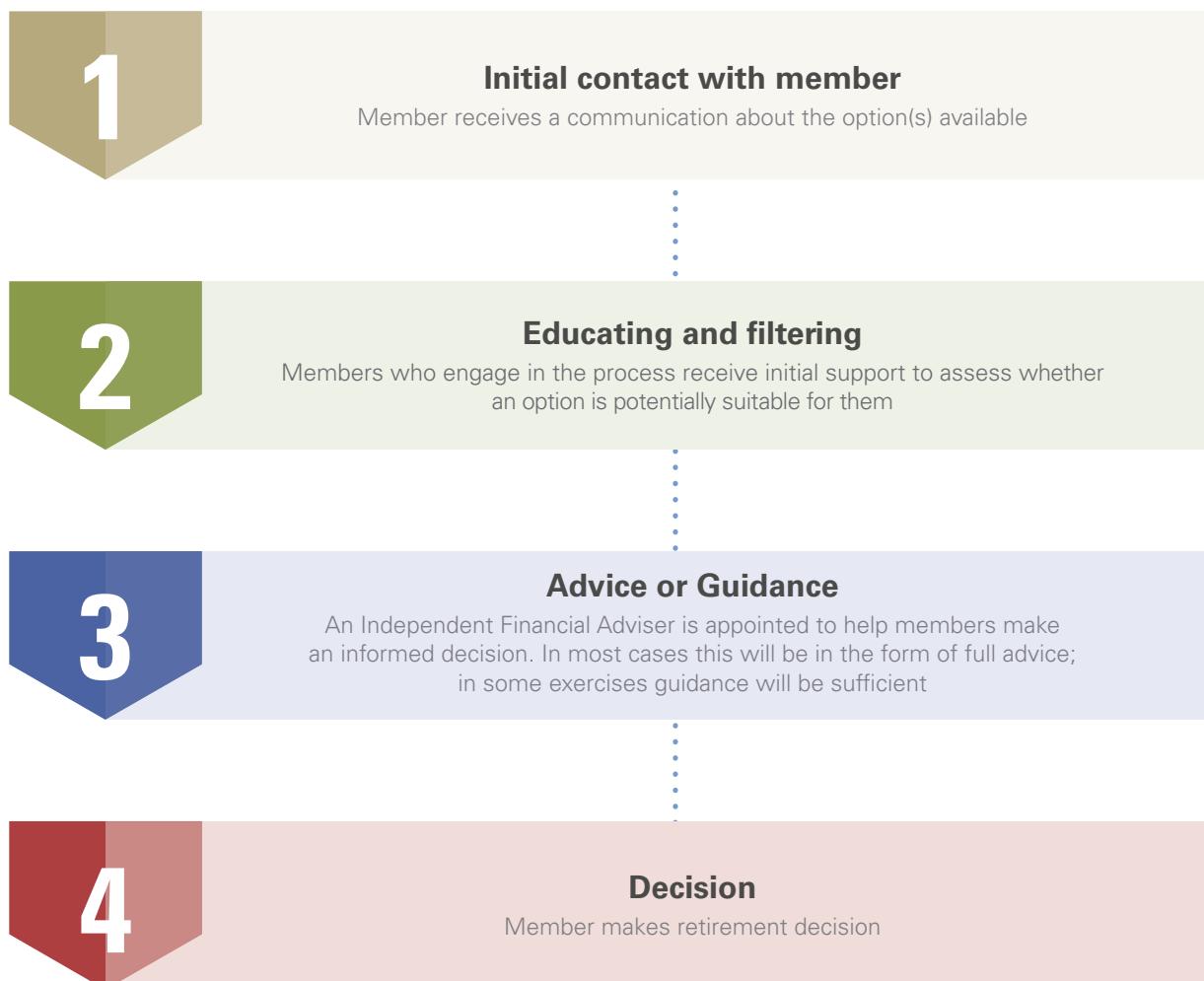
A high level of member engagement is crucial for increasing the benefits of member option exercises for all parties involved. Designing an effective 'member experience' is key to achieving this. It is important to recognise that *there is no "one size fits all" approach*. The methods used throughout the process need to recognise that all populations are different. *Knowing your population is key in tailoring the process*.



## ..... What does the member experience look like?

The member experience can be broken down into four components. This can be applied to both one-off bulk exercises and to a 'business as usual' approach.

The level of support provided to members varies from guidance through to full advice. The process below focuses on a full advisory process but many of the considerations will be aligned when a guidance approach is being taken.



## 1

**Initial contact with member**

Member receives a communication about the option(s) available

### **Initial contact with members should be clear and easy to absorb.**

There has been a move towards reducing the content of these communications to a manageable level and ensuring that the finer detail of the offer is covered during the advice/guidance stage of the process.

Member options typically come in two forms:

#### **1. One-off bulk exercise**

All eligible members receive a communication to make them aware of the offer. This will typically consist of two steps:

1. An introductory letter
2. A more detailed offer letter which includes a personal statement setting out the member's individual offer figures.

#### **2. Business as usual**

Many schemes will introduce increased flexibility on an ongoing basis. Members receive information about their options as part of their standard retirement documentation.

### **What level of understanding do members typically have at the start of the advice process?**

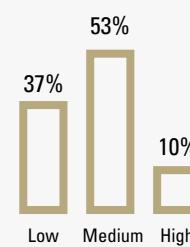
Member understanding at the start of the process will influence whether the member chooses to engage or not; **a lack of understanding will typically reduce a member's interest and comfort with engaging in the process.**

Feedback from IFAs indicates that members generally have a low or medium understanding of the benefits and risks of the option until they have spoken to the IFA; importantly, **few members have a high level of understanding at outset.**

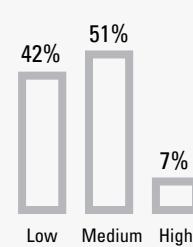
It is therefore **important to ensure that member communications start at the most basic level** and do not assume prior knowledge. Building sufficient time into the advice process to allow members to fully understand the options available and their implications is also crucial.

The IFAs reported the broad level of member understanding typically shown at the start of the process and these are shown for each exercise in the graphs below.

**FRO**



**PIE**



## 2

### Educating and filtering

Members who engage in the process receive initial support to assess whether an option is potentially suitable for them

It is anticipated that the Budget will increase engagement as retirement choices will be very topical. Educating members about the options available to them will allow them to identify which to investigate in more detail.

An initial education stage can act as a filter so that focus can be given to the options most suitable to each member. This filtering also helps manage IFA costs.

It is expected that education and filtering will become more sophisticated as the implications of the Budget changes on member decisions are more fully understood. Some of the more popular approaches are discussed below.



**Online tools** – Online support can be offered by the sponsoring employer and/or the IFA. The tools available range from online appointment booking and fact-find facilities through to benefit modellers.

To date online tools have not been heavily promoted and IFAs report varying levels of use.

Going forward a greater use of online benefit modellers can be expected; a shift caused by the increase in the range of options available at retirement and the fact that members who are nearing retirement have a greater preference for (and comfort with) technology than ever before. These tools can be used to educate members and help them to understand what each option looks like for them. This allows members to narrow down the range of options so that their discussions with the IFA can focus on the options which are appropriate to their circumstances. Greater promotion of these tools is likely in future.

The reported use of IFAs online tools varied from 15-20% for one IFA, up to 70% for another.



**Seminars** – Whilst exercises providing access to seminars are currently reported to be in the minority, they can be an effective mechanism to educate members and also to manage IFA costs; members get the opportunity to gain further insight into whether the option is worth pursuing through to the advice stage.

IFAs provided mixed views on whether seminars have a positive impact on engagement and take up rates; the majority felt the impact was modest, although one IFA believed that “for a modest cost, this is always worth considering”.

Suggested presenters at a seminar include the IFA and a trustee representative. A company representative is often also appropriate.

IFAs report that attendance tends to be better where there is a convenient central location. Good attendance levels are also more likely for pensioner populations.



**Preliminary IFA support** – As the need for education and filtering increases it is likely that more exercises will incorporate a preliminary call with the IFA. This will allow the IFA to build the member's understanding of each option and explore which options are worth the member pursuing further, prior to undertaking the more costly detailed fact-find and advice steps.

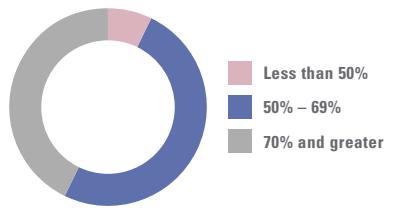
# 3

## Advice or guidance

An Independent Financial Adviser is appointed to help members make an informed decision. In most cases this will be in the form of full advice; in some exercises guidance will be sufficient

The advice/guidance process between the member and IFA can be tailored to suit the population involved. On average 70% of the members who make contact with the IFA go on to complete the advice process. The experience is similar for both PIE and FRO exercises.

**Proportion of members who contact the IFA that go on to complete the advice process.**



Where advice is being provided, this will typically consists of three steps:



### 1. Initial contact

Member expresses interest in the option and books an appointment for their fact-find. This may be done online or via a helpline.



### 2. Fact-find

IFAs report that these calls typically last 30 minutes to 1 hour. The member provides details on their personal circumstances so that this can be factored into the advice provided by the IFA

#### IFA comments on whether members prefer a telephone or online process:



"Members of ETV and FRO exercises prefer an online interaction before the adviser call. PIE members prefer telephone based advice"

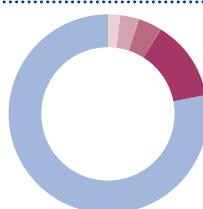


"Both is ideal, but 90% call the free helpline and speak to an advisor"



### 3. Advice call with recommendation

IFAs report that this call will last around 45 minutes but that this can vary significantly. Some members will require multiple calls with the IFA before they feel able to make a decision. Calls are generally longer when draw down is being recommended. IFAs predict that draw down will become a more popular option due to Budget changes and therefore anticipate that the average length of the advice calls could increase dramatically. Members have the option to invite a third party to join them on their advice call; IFAs report that less than a quarter of members chose to take up this option.



**Proportion of members who involve a third party in their advice call.**

#### Telephone or face to face?

The advice or guidance process can be done either via the telephone or face to face. IFAs have a mixed view on whether face to face advice increases take up and engagement. A telephone approach is usually the default approach to member options exercises as it has greater accessibility and lower cost. A face to face approach is generally considered most effective for high earners and/or current employees. Face to face advice may also be more suitable for older or more vulnerable members.

**"Where the members are current employees, around 70% will take up the offer. For deferred members this reduces to 20%"**

IFA comment on the proportion of members who take up the option of a face to face meeting.

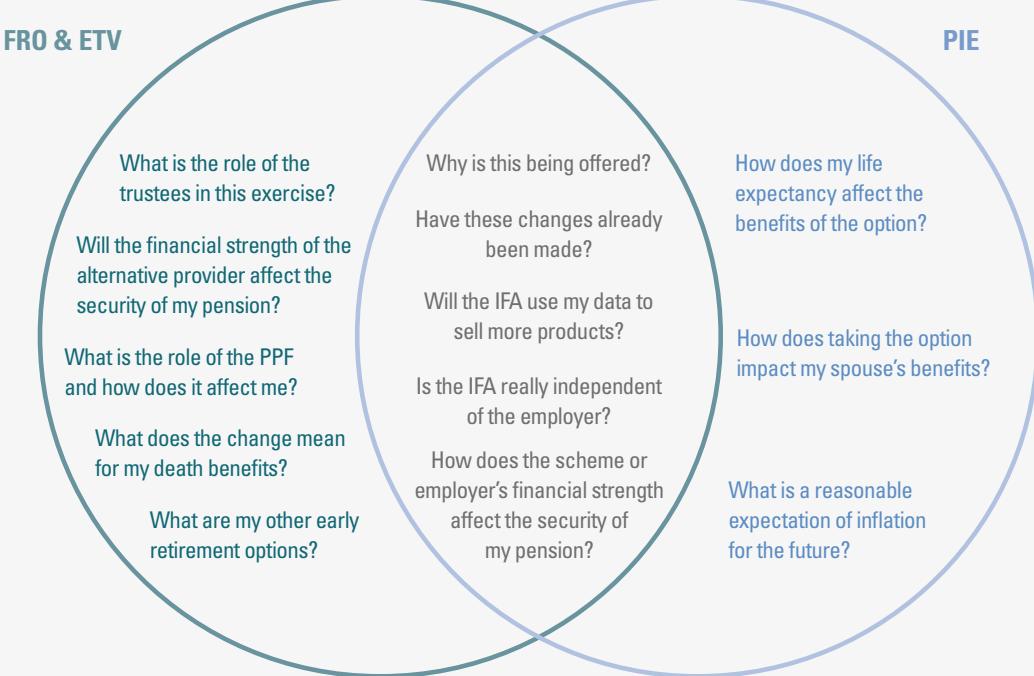
# 3

## Advice or guidance

An Independent Financial Adviser is appointed to help members make an informed decision. In most cases this will be in the form of full advice; in some exercises guidance will be sufficient

### What do members often ask about?

The chart below shows common questions that IFAs reported they were asked by members during FRO, ETV and PIE exercises.



**The member concerns highlight the importance of an effective and informative advice process.** Specific questions/concerns can then be picked up and incorporated into the member specific advice provided by the IFA.

### Where do members get their information from?

The primary source of information for members is intended to be the support they receive from the IFA. However, it is accepted that members will obtain information from a variety of other sources; this could have a positive or negative effect on how a member views the offer. Typical sources which IFAs come across in their discussions with members include:



# 4

## Decision

Member makes retirement decision

Once the member has reached their decision the changes need to take effect. Although the practical aspects of the implementation will be carried out by the scheme administrator, a streamlined approach in which the member continues to communicate with the IFA is typically most effective. This means that the IFA and the administrator need to work together behind the scenes to ensure a smooth and hassle free process for the member; in our experience a clear project planning process allows IFAs and administrators to facilitate this effectively.

# FLEXIBLE RETIREMENT OPTIONS (FRO)

## What is a FRO?

A FRO exercise involves proactively reminding members of their different retirement options. Companies will typically provide members with access to an IFA, free of charge, to help them make an informed decision.

Members' choices include:

- Taking an immediate pension in the scheme
- Transferring out of the scheme and purchasing an annuity with an insurance company
- Transferring out of the scheme and drawing down their pension in a more flexible form, as permitted under the 2014 Budget.

## Who is covered?

This option is available to active and deferred members over the age of 55 who are eligible for early retirement.

## Why is this good for members?

Members receive independent financial advice around how to achieve a retirement income which best suits their needs and circumstances. For a number of members an income from an alternative provider can result in a higher pension and/or higher tax free sum than is available from their existing scheme.

**Set out below are typical reasons which IFAs have given as to why members will choose a certain retirement option.**

Reasons for moving to an alternative provider	Reasons for remaining in the scheme	Scale
Higher tax free cash available	No need for immediate cash or income	Often a key reason
Increased flexibility around how to structure retirement income	Member has alternative income streams to call on	Affects some members
Higher retirement income available	Scheme pension forms a large proportion of retirement provision	Affects few members
Can benefit from enhanced annuity rates	Member has a younger spouse to provide for	
Have a need for additional income e.g. to clear debts	Income available from annuity is lower	
Risk of failure of the sponsor	Uncomfortable with change/risk	

## Why do trustees and companies offer FRO?

FRO allows trustees and companies to offer an increased level of support to their members around their retirement options.

Experience to date shows that around **half of the target populations engage with a FRO**, with around a **quarter of members choosing to take their benefits in an alternative form**. This will:

- Reduce pension risk by discharging liability from the scheme, and
- Typically result in a reduction in the funding deficit.

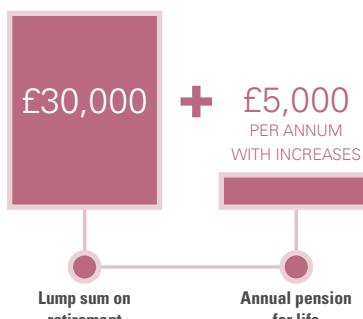
# FLEXIBLE RETIREMENT OPTIONS (FRO)

The Budget announced a significant increase in flexibility for members retiring from April 2015.

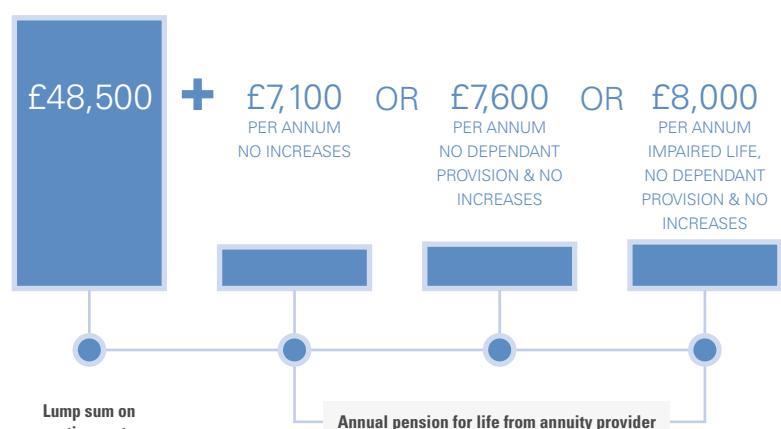
## A member example...

An example of the headline retirement choices available to a DB member is given below. The IFA would support the member through this decision process.

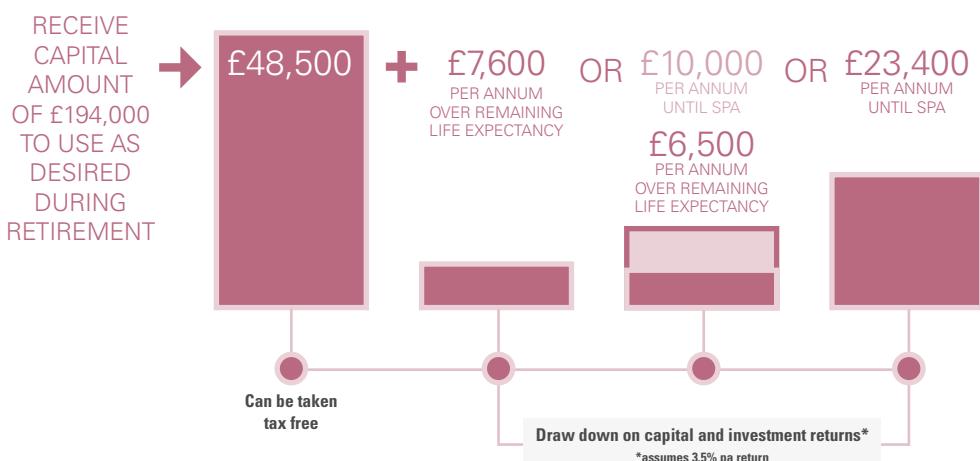
### From the scheme



### Flexible retirement options – purchase annuity



### Flexible retirement options – draw down

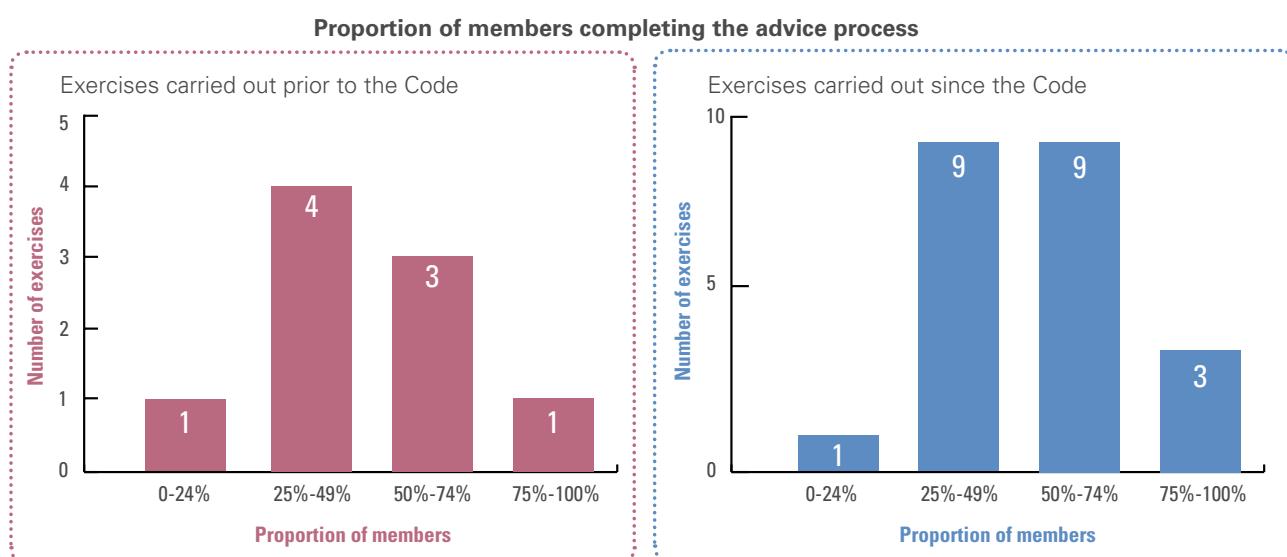


## Market experience

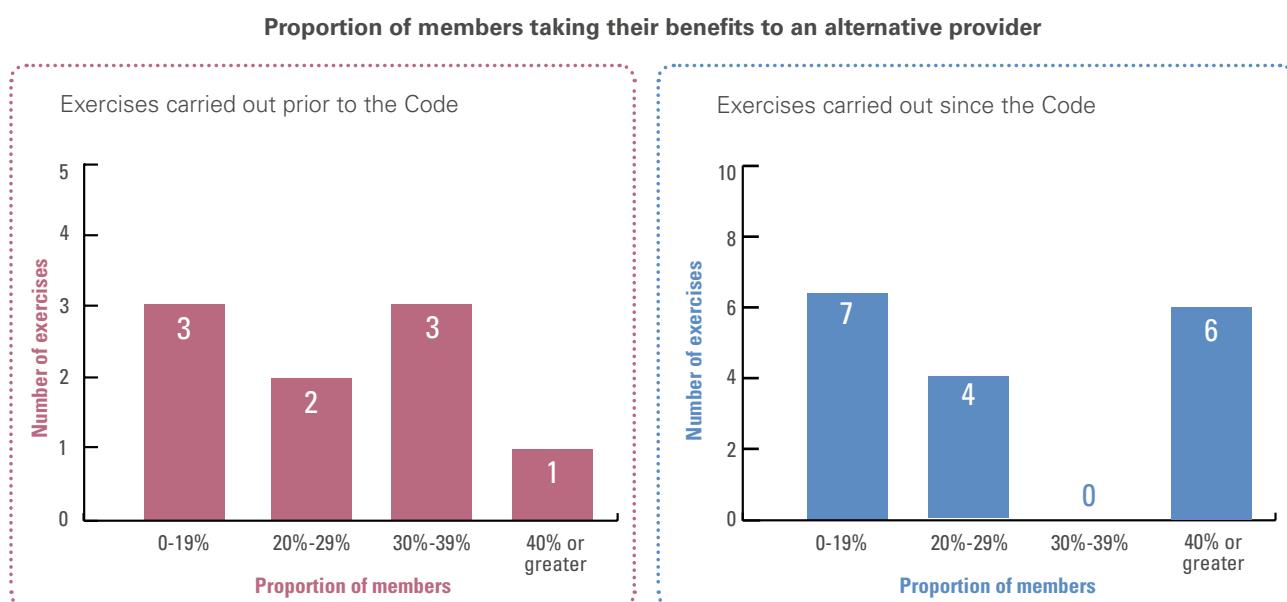
We have gathered data on **32 FRO exercises** which have been carried out over the period since 2011, covering over 10,000 members. The majority of these exercises (23) have taken place since the release of the Code.

There have been a limited number of exercises completed since the 2014 Budget announcement was published and therefore the focus of the exercises in this survey has been towards members taking an annuity income in retirement.

For the 23 exercises completed since the release of the Code, the average **engagement rate has remained broadly stable to pre Code levels (47% and 52% respectively)**. It should be noted, however, that preliminary data from exercises currently underway (i.e. those that are taking place since the Budget announcements) show a step up in engagement. The range of member engagement continues to be wide, as shown below.



The average number of members choosing to take their benefits to an alternative provider has also remained broadly stable, at 22%. Again, the range of take-up has been wide across the sample.



# ENHANCED TRANSFER VALUES (ETV)

Changes in market conditions have meant that ETV exercises are now less effective for most schemes and fewer are therefore taking place. Where exercises have occurred, there has typically been a specific reason for that exercise to go ahead, for example a defined target population or corporate activity.

The increased flexibility available from April 2015 may mean that these offers start to appeal to a wider audience once again; the high transfer amounts currently available may appeal to those members who wish to take a draw down approach once they reach retirement.

## What is ETV?

Members are offered a temporary increase to their standard transfer value. Members can then take advice on whether transferring to a DC arrangement and investing their funds themselves could result in a better outcome at retirement.

## Who is covered?

This option is available to deferred members, usually under the age of 55. It can also be offered to active members but is typically less suitable.

## Why is this good for members?

Members have the opportunity to receive an increased transfer value and move across to a more flexible (DC) environment. Depending on how their investments perform and how they chose to take their benefits at retirement members may receive higher benefits following the transfer.

**Set out below are typical reasons which IFAs have given as to why members will choose a certain retirement option.**

Reasons for moving to an alternative provider	Reasons for remaining in the scheme	Scale
Increased flexibility on how to structure retirement benefits	Security available from DB scheme	Often a key reason
Increased flexibility on how to invest retirement provision	Uncomfortable with investment risk arising from DC	Affects some members
More suitable death benefits	Uncomfortable with change	Affects few members
Potential for a higher pension	Comfortable with existing benefits structure (pension increases and dependant pension)	
Potential for a higher tax free cash amount	No desire to early retire	
Risk of failure of the sponsor	No experience of making investment decisions	
Enables early retirement		
Wish to have all benefits in one place		

## Why do trustees and companies offer ETV?

ETV allows trustees and companies to offer members the opportunity to move to an alternative form of retirement provision which may better suit their needs; the increased transfer amount may facilitate this for some members.

By discharging a portion of the longer term liabilities from the scheme, the trustees and company are able to reduce the long term risks of the scheme and potentially achieve a reduction to the scheme deficit. This would be expected to increase security for the remaining members.

# PENSION INCREASE EXCHANGE (PIE)

## What is PIE?

A PIE offer provides members with the option of receiving a one-off increase to their pension immediately, in exchange for giving up pension increases over future years. It gives members the option of releasing the value of their future pension increases and receiving more of their benefits earlier in their retirement.

## Who is covered?

This option is primarily made available to current pensioners. In some schemes it is also made available to active and deferred members as they reach retirement.

## Why is this good for members?

It gives members the flexibility to choose a pension structure that may better meet their needs, for example, receiving more of their pension earlier in retirement when they are better able to benefit from it. Members exercising the option at retirement will typically also be able to receive a larger tax-free cash sum.

**Set out below are typical reasons which IFAs have given as to why members will choose to accept or reject a PIE option.**

### Reasons for accepting a PIE offer

Prefer (or need) a higher income in the early stages of retirement
The member expects to be better off by accepting the offer due to their health
Scheme pension forms a small part of total pension income
To assist family members
Member has other assets which provide an inflation hedge
Influenced by other colleagues

### Reasons for rejecting a PIE offer

Member does not need an increase to their current level of pension income	Often a key reason
The member expects to be worse off by accepting the offer due to their health	
Uncomfortable with inflation and/or longevity risk (may not have other income sources to protect against these risks)	Affects some members
Uncomfortable with change	
Scheme pension forms a large part of total pension income	Affects few members
Loyalty to scheme in its current form	
Member has a young spouse	
Impact on state benefits	

Scale

Often a key reason  
Affects some members  
Affects few members

## Why do trustees and companies offer PIE?

A PIE option allows companies and trustees to provide additional flexibility to members.

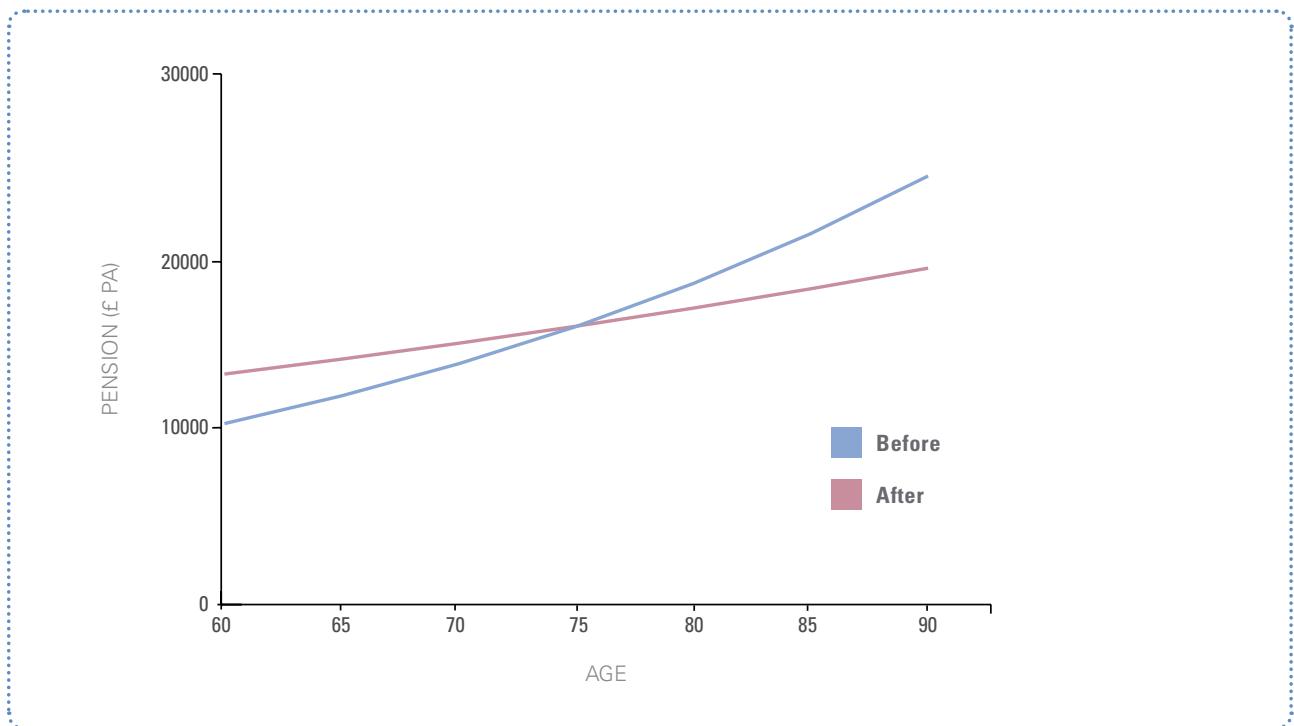
Following a successful PIE offer, the scheme would expect to see an improvement in its funding level and a reduction to its inflation and longevity risks. This helps to manage future cashflows and improves security for remaining members. A PIE option can also reduce the cost of insuring benefits with a third party by adjusting pension increases to a form which is more competitively priced by insurers.

# PENSION INCREASE EXCHANGE (PIE)

## A member example...

An example of the option available to a DB member is given below. The IFA would support the member through this decision process.

**Chart of the projected annual pension received by an example member before and after accepting a PIE offer**



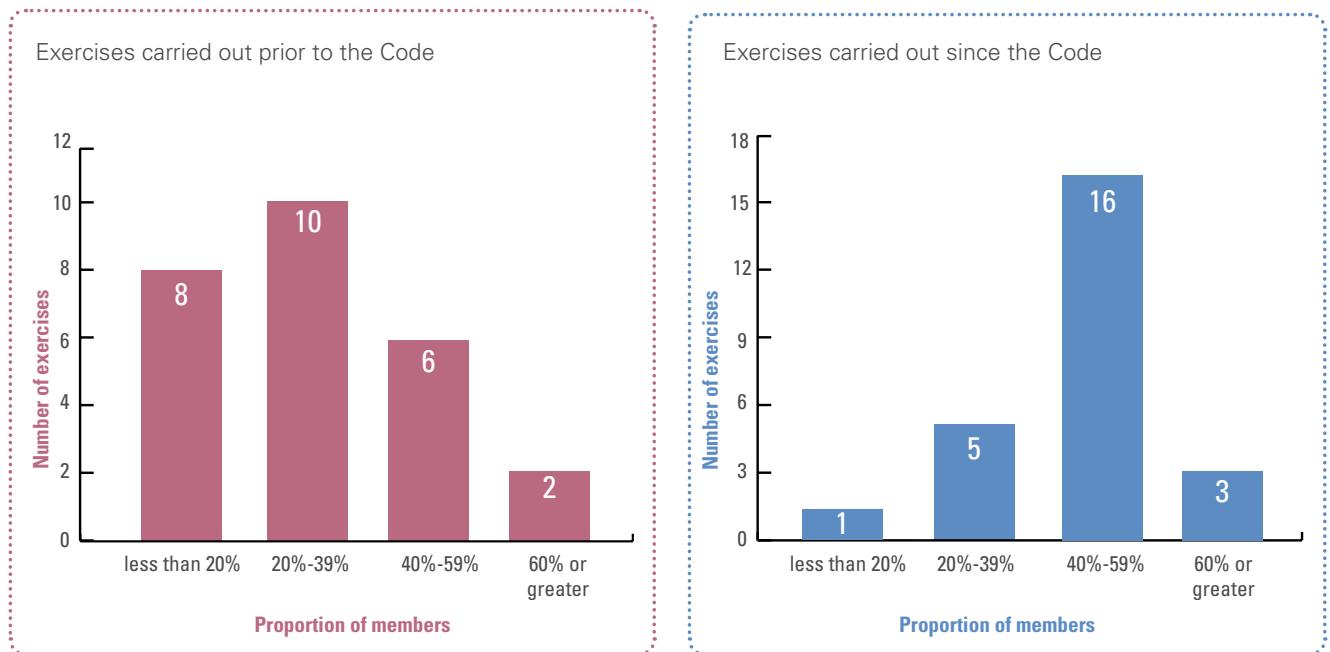
## Market experience

We have gathered data on **65 PIE exercises** which have been carried out over the period since 2011. These exercises involved around **175,000 members**.

25 of these exercises were completed after the Code was released in June 2012 and below we investigate the impact that this has had on the design and member response.

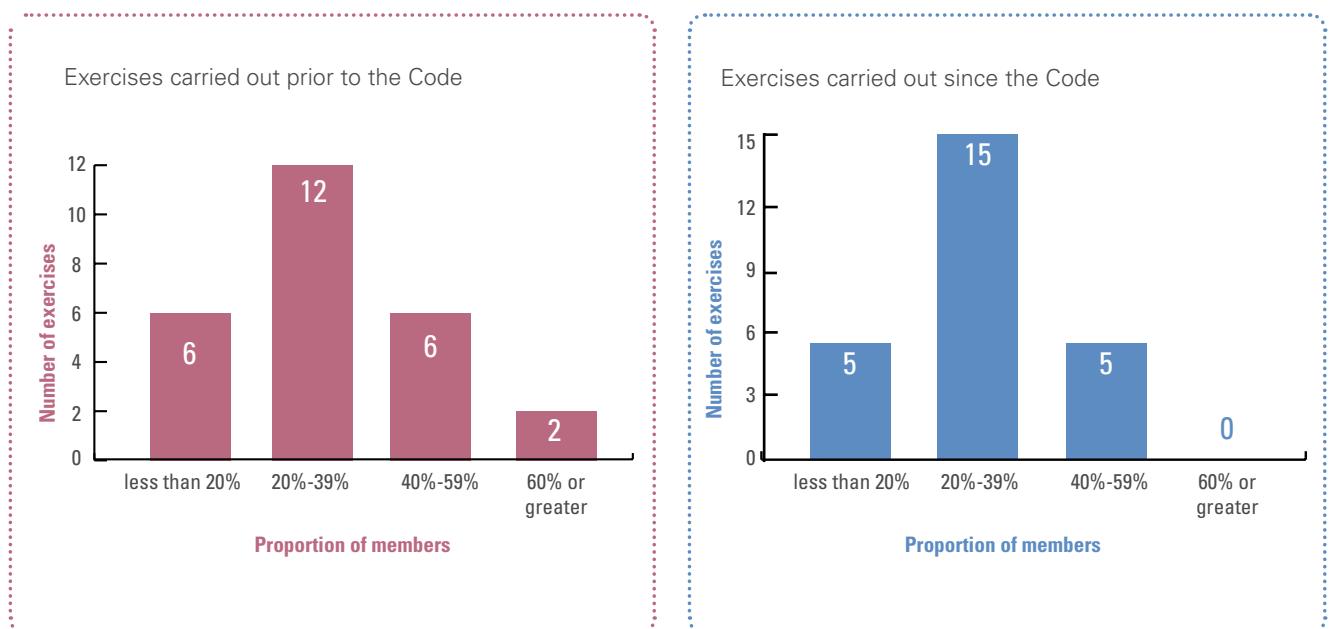
As with other member option exercises, there has been a wide variation in the engagement and take-up experienced by these exercises. **The proportion of members engaging with the IFA has generally increased since 2012, with the average rising from 32% to 46%.**

### Proportion of members completing the advice process



Whilst engagement levels have increased, the data shows that the **take-up of PIE offers has fallen slightly; from an average of 32% to 27%** before and after the Code respectively. The range of take-up continues to be wide.

### Proportion of members accepting a PIE offer



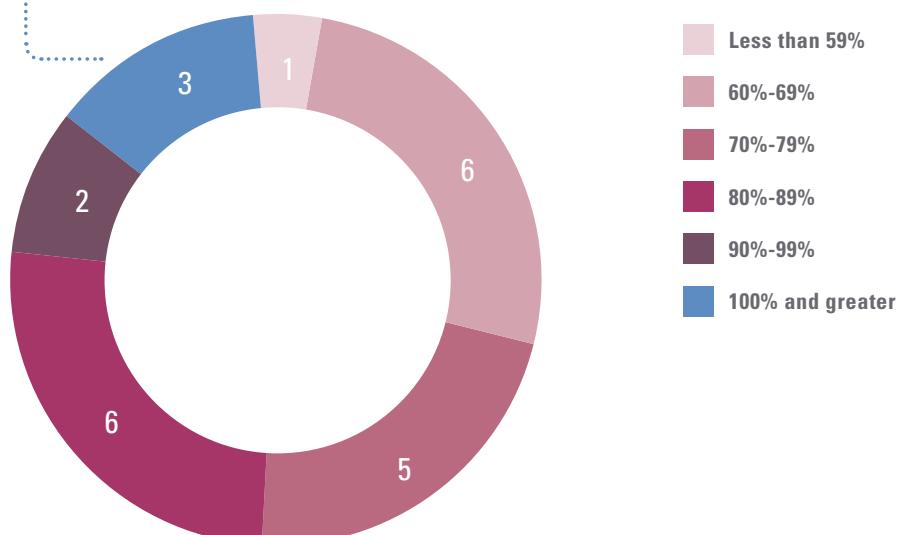
# PENSION INCREASE EXCHANGE (PIE)

## Proportion of value offered to members

One of the key changes introduced by the Code was the requirement to provide IFA advice to members in the event that the offer did not provide full value to the member. Where equivalent value is provided then a guidance approach is sufficient to satisfy the Code (more detail can be found on page 6). Further, the proportion of value offered to members must be discussed in the member communications and the IFA will cover this with the member.

We have gathered information on the proportion of value offered to members as part of PIE exercises carried out since the Code was released. This shows that the **majority of offers are still designed to retain a proportion of value within the scheme**.

The chart below shows the Scheme Actuary's assessment of the value of the one off increase as a proportion of the value of the increases being given up. It shows that only three exercises offered one off increases of equivalent value to the future increases being given up, with 20 exercises offering a lower one off increase. It should be noted that the Scheme Actuary's assessment is based on the average population of the scheme, and the value for each individual member will depend on their own personal circumstances.



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