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The future of pension transfers: Pace balanced with protection

Pension transfers are getting faster, and that's good news for savers. But in a market where one poor decision can significantly impact retirement outcomes, speed alone cannot be the measure of success.

Following two years of transformation, People's Pension has nearly halved average transfer times. Chief operating officer, Angela Staral, explains why the industry's next challenge is ensuring quicker transfers are matched by better-informed decisions and strong consumer protections

The pension industry has made great progress in cutting down transfer times. At People's Pension, we focused on simplifying the transfer journey, reducing manual intervention and improving customer communication. We removed unnecessary friction by investing in automation, improved workflow management and operational insight. As a result, transfers are faster for members while we continue to maintain strong governance and controls.

We are incredibly proud of these accomplishments, but our work is not finished. We continue to improve member communications and digital integration with industry services, such as Origo. Those changes can have a significant impact.

The industry has understandably focused on speed. The next phase must focus on outcomes. A transfer completed in days rather than weeks is only a success if it leaves the saver in a better position. Savers require clear, accessible information to make informed decisions. Transfers should be about what's right for an individual in the long term, not just in the moment.

Last year, our Pension Transfer Outcomes Index revealed that pension savers could be losing £1.7 billion from their pension savings due to poorly informed transfers. Our research has also found that incentives can materially increase the likelihood of a saver transferring, even when the receiving scheme may not be the most suitable option. This highlights why transparent information and effective guidance must sit alongside any effort to simplify transfers.

At People's Pension, we have established a dedicated guidance team to support members who are considering a transfer. They provide completely impartial guidance to help members understand the options and make informed decisions. Understanding the implications of transferring is a real challenge for many savers. The emphasis on information, guidance and support alongside process improvement is critical.

Against this backdrop, the Financial Conduct Authority (FCA) consulted with the industry on adapting requirements for a changing pensions market. That includes proposals requiring receiving schemes to provide consumers with clear comparison information before a decision is made. That is a very positive step in the right direction, and we are engaged in discussions on practical solutions for this proposal.

Looking ahead, the introduction of the pensions dashboard and small pots consolidation will certainly drive higher transfer volumes. I believe the industry is better prepared than ever, but we'll need scalable, cost-efficient transfer mechanisms that can support bulk transfers and individual transfers much better than the current system allows. Effective data matching and discovery processes ahead of transfer will allow issues to be identified early, rather than creating delays further down the line.

Transfers are undoubtedly one of the challenges for the industry that need to be solved collectively. As part of this process, we are engaged in a number of cross-industry working groups and initiatives to explore how pension transfers can be more efficient, scalable and cost-effective as engagement increases. Long-term success will depend on broadening collaboration across the industry to ensure that solutions are scalable, widely adopted and sustainable.

I hope future generations look back on the 2020s as the decade when the industry came together to build a connected and customer-focused transfer ecosystem that is measured not solely by the speed of transfers, but by the outcomes for savers.

Written by People's Pension chief operating officer, Angela Staral

In association with people's pension