Mercer

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DB Transfer Values

Helping members navigate DB transfer decisions

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DB pension landscape

Declining, and not to be forgotten..

Total Pension AUM €162bn

Total DB AUM €65bn

Total DB Membership 295K

Active & Deferred 186K

Sources: Pensions Authority

Recap: What is a DB transfer?

The exchange of:

An annual lifetime income paid by the DB scheme

DB Pension

for

A once off lump sum payment from the DB scheme to the individual

Transfer value

DB Transfer Stakeholders

Central Bank of Ireland (CBI)

Pensions Authority

Member

Employer

Trustee

Financial Advisor

How common are DB Transfers?

No official data on DB transfers but..

Est. **25-30%***

of DB members taking transfer values

*estimated position based on information provided by 3 pension administrators.

Potential to become more common?

1. Transfers post Normal Retirement Age (NRA) prohibited by Revenue

Retirement Option Statements may need to include transfer value going forward

2. Introduction of deferred annuities

Increase in transfer value exercises prior to deferred annuity purchase

What does UK experience tell Ireland?

2015

Pension Freedoms

- Requirement for advice on TVs over £30,000
- Specific authorisation needed to provide advice

2018

- FCA find that 50% of DB transfer advice unsuitable. 69% of advice recommended TV*
- FCA brings in new rules to improve advice standards

2020/2021

- TPR issue guidance for DB transfers
- FCA introduce “advice checker”
- FCA publish guidance for advice on DB transfer advice

Source: Financial Conduct Authority (FCA)

UK vs Irish comparison

Feature	UK	Ireland
Authorisation to provide DB transfer advice	Must be regulated financial advisor with FCA and have special authorisation to provide DB transfer advice	Must be a regulated financial advisor with CBI and advice must comply with CPC. No specific authorisation required.
Mandatory financial advice	Yes, for cases over £30,000	No
Trustee obligation in relation to role of advice	Check advice given by authorised advisor	None in respect of advice given.

Are members getting the support they need to make the right DB transfer decision?

Key Factors in a Member's transfer decision?

Transferring DB Pension

Starting position is DB pension must be beat

Analyse individual's financial needs and objectives (cashflow needs)

Analyse DB benefits (spouse pension, increases etc.)

Financial analysis of DB transfer

DB Transfer - financial analysis

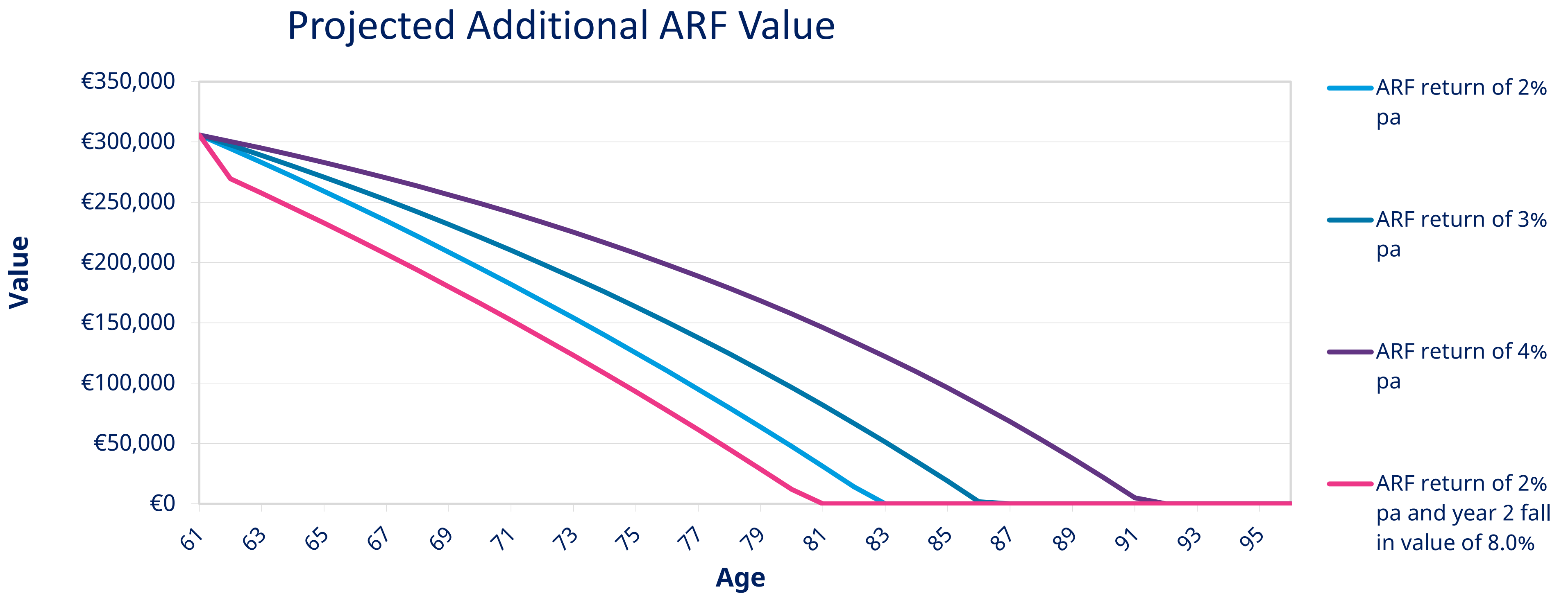
Financial Analysis

Optimal time to take transfer

Retirement Lump Sum comparison

DB income vs annuity

DB income vs ARF



Opening the conversation on next steps

Data

Collect and publish more data on DB transfers?

Guidance

Develop guidance for members to consider before taking a DB transfer?

Advice

Considering the role of advice & authorisation?

Employer

Explore guidance supports for employees