From the Chair

30 May 2018

Frances O'Grady
General Secretary
Trades Union Congress
Congress House
Great Russell Street
London WC1B 3LS

Dear Frances,

Defined Benefit pension transfers

Thank you for the TUC’s written evidence to our Defined Benefit (DB) white paper inquiry.

As part of our examination of DB pensions, we remain concerned about the increase in members choosing to transfer out of DB. In so doing, members forgo valuable safeguarded entitlements and potentially expose themselves to the risk of their savings being channelled into inappropriate investments or outright scams.

Recently disclosed FCA data shows that the amount of money transferred out of DB pensions more than doubled last year to nearly £21 billion.¹ This surge in transfers heightens concerns about the quality of the advice that the pension-holders based their decision on and the destination of these funds.

A key concern relates to transfers that are initially prompted by advisers or introducers who approach scheme members at or near their workplaces, a practice known as “factory gating” which I recently raised with the Treasury.² In October you told us of reports that financial advisers had been targeting workplaces where long-serving staff typically have substantial DB accruals, for example in the power

¹ "Record number of savers abandon final salary pension schemes", Financial Times, 18 May 2018
² Letter from the Chair to the Economic Secretary to the Treasury on pension cold calls and introducers, 9 May 2018
generation sector, and you recommended that employers should retain records of such visits and report them to regulators.  

Given the trade union movement’s vital role in representing workers’ interests and defending defined benefit pension entitlements, might I please ask the following:

1) What action have the TUC and its member unions taken to inform individual members that transfers out of defined benefit schemes will only be in the interests of members in exceptional circumstances? 

2) What further action do the TUC and its member unions intend to take to inform members about the risks posed by DB transfers? 

3) How many unions provide their members with access at a preferential rate to a trusted financial advice service qualified to give DB pension transfer advice? 

4) How many trades union members have access to such a service as part of their membership, and how many use it? 

5) What monitoring is being carried out by unions to ensure that the advice provided through these deals is the best available – and can you please provide us with details of this monitoring? 

6) What reports have you received in the last 12 months of financial advisers or introducers visiting workplaces to discuss pension transfers with employees and how many of these visits were made with the blessing of the sponsoring employer? 

Best wishes, 

Rt Hon Frank Field MP
Chair

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