defaqto

Pension service review 2023

February 2023

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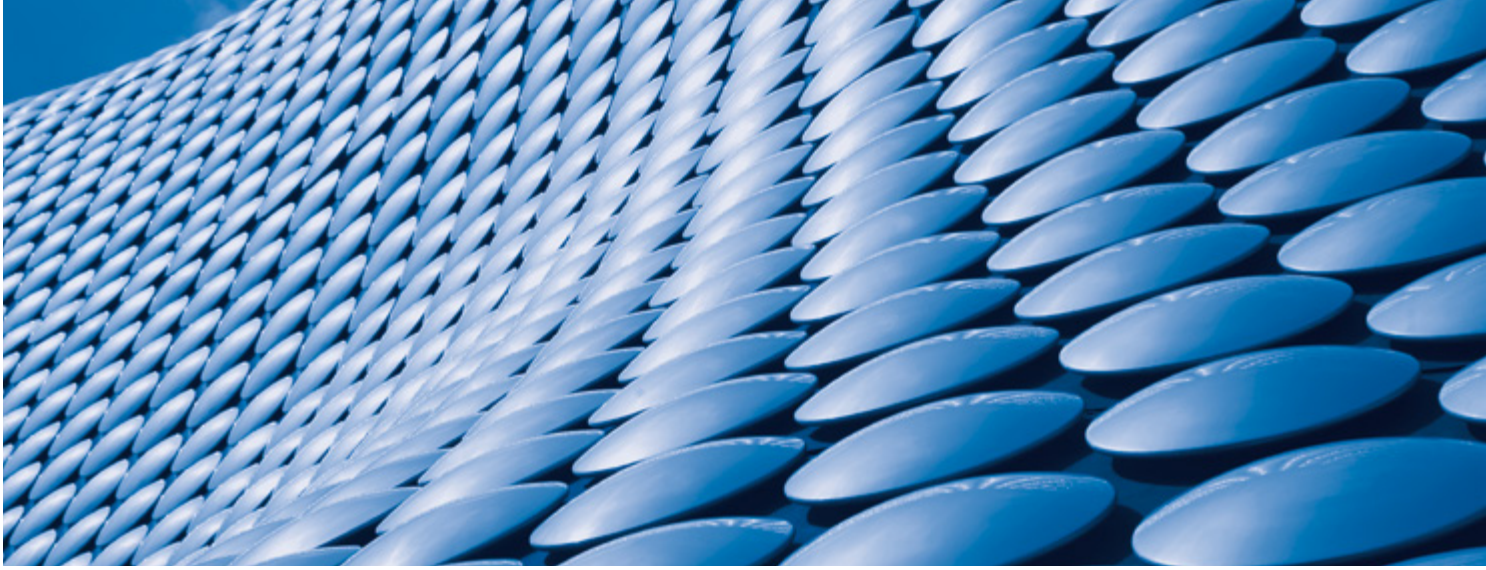
Introduction

Defaqto's pension satisfaction survey took place online between August and September 2022.

The survey received responses from 378 financial advisers and measured their satisfaction levels for seven categories of service:

1	**Provider strength and brand** Consideration should be given to brand strength, financial strength, integrity and ease of doing business
2	**Provider staff** Consideration should be given to account manager/business development manager capabilities, including their knowledge and relationship skills, administration staff competency, courtesy and effectiveness, and helpdesk capability
3	**Product and proposition** Consideration should be given to product design and innovation, product marketing material, product training, investment options and value for money
4	**New business servicing** Consideration should be given to quotation capabilities, sales support, processing timelines, transfer-in assistance and processes, remuneration structure and the speed and accuracy of its payment
5	**Pension freedom servicing** Consideration should be given to set-up timescales and efficiency; accuracy of transfers in or out, ad hoc or regular income payments, switching and cash management
6	**Existing business administration** Consideration should be given to policy alterations, transfer out processes, valuations and switching capabilities
7	**Online services** Consideration should be given to investment support tools, IT technical support, ease of online portfolio management, ease and speed of online transactions, system reliability and access, website content and website functionality

Methodology

First, we asked advisers to tell us how important the seven service disciplines are to their businesses using a five-point scale from 'not at all important' through to 'very important'. From this we calculated a mean score out of five to determine the importance of each individual aspect of service.

Next, we identified which pension providers are being used regularly by advisers. Finally, we identified their preferred providers and measured their satisfaction levels with those preferred providers, again using a five-point scale ranging from 'very dissatisfied' through to 'very satisfied'.

Our surveys are whole of market, but our analysis and ratings for each provider are based purely on responses from those advisers who nominated them as preferred providers.

From the providers that qualify, we combine the 'satisfied' and 'very satisfied' responses to determine the 'total satisfaction score' for each individual aspect of service. These are weighted by the importance of each category and then aggregated to determine one overall satisfaction score for each preferred provider.

The satisfaction indices by category and Service Ratings are available within Defaqto Engage, our financial planning software solution. They are also the basis of the Gold and Silver service ratings.

Executive summary

- Defaqto conducted the survey between August and September 2022. The survey measured the relative importance of seven satisfaction categories and identified the advisers' preferred providers of individual pension business.

- The study measured how satisfied the advisers are with their preferred providers and identified where expectations were being met by cross-matching ranked importance to ranked satisfaction.

- While personal pensions, drawdown and self-invested personal pensions remain the most popular individual pension products with advisers, the last year has seen a decrease in interest for drawdown and an increase in interest in annuities.

- Royal London and Aviva remain the providers most recommended by advisers, but with reduced support this time. AJ Bell experienced an increase in support and moved ahead of Quilter and Prudential in ranked position.

- 18 pension providers received sufficient nominations as preferred providers to enable us to compute provider-specific satisfaction. Royal London, Aviva and Quilter received most nominations as preferred providers, but Royal London and Quilter received fewer nominations than last year, while Aviva received more. Transact also seemed to attract less support this time.

- Most categories increased their importance scores this time. *Pension freedom servicing* and *Product and proposition* were again ranked the most important disciplines, and Provider staff the least.

- Weighted satisfaction scores increased this year for most categories by, on average, 3%. There is a fair correlation between weighted satisfaction and importance with top two categories for importance – *Product and proposition* and *Pension freedom servicing* – receiving some of the highest satisfaction scores. Typically, satisfaction is in the mid-80% range, representing a good result for the industry.

- abrdn (for Wrap), Fidelity Adviser Solutions and Royal London achieved the most top three positions for performance across all categories of service.

- The crossmatch of unweighted satisfaction with ranked importance revealed an exceptionally good correlation for the industry with expectations being matched or exceeded for six out of the seven categories.
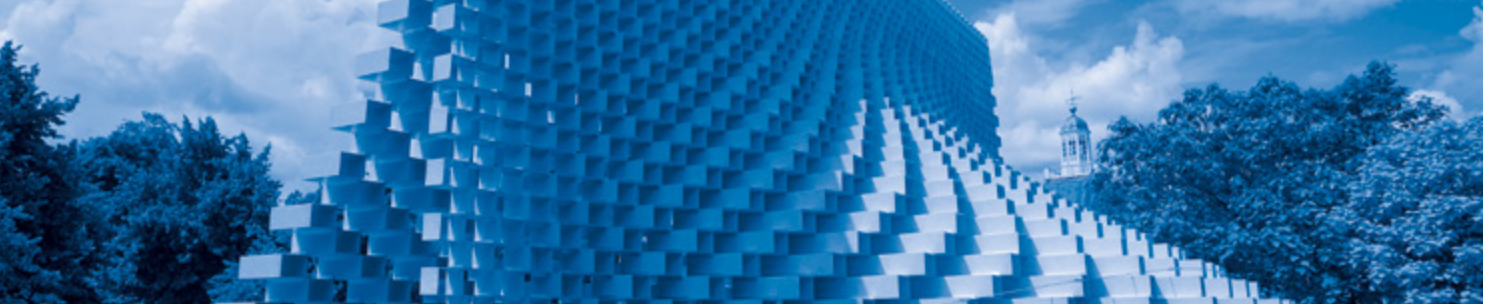
Individual pension products

Q: Which of the following individual pension products have you recommended in the past 12 months?

We asked the advisers to tell us what types of pensions they had recommended in the last 12 months. The results are shown in Chart 1 together with the equivalent results from the previous two studies.
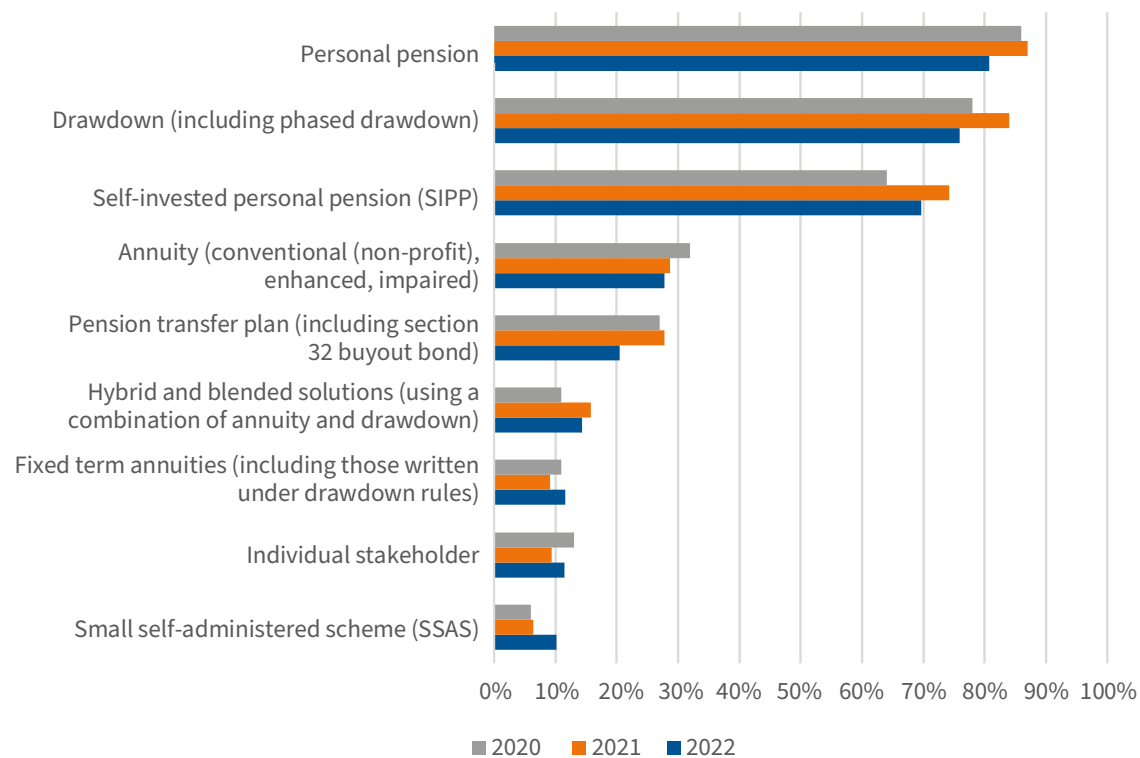

Chart 1: Pension products used in the last 12 months.

Personal pensions, drawdown and SIPPS remain the most popular pensions products with financial advisers. However, whereas in previous years, the low level of interest in annuities had suggested that drawdown was the preferred method of decumulation, this year we have seen a softening of support for drawdown – a decrease of 10% – and an increase of 27% for fixed term annuities.

Interesting observations:

- The increase in interest in annuities preceded the 'Truss' mini-budget in September and the cost-of-living crisis starting to bite.

- There was a 58% increase in interests in SSASs, perhaps reflecting the increase in bespoke advice solutions.

To summarise, on average, advisers are recommending 3.2 different types of pension products compared with 3.4 last year.

Individual pension providers

Q: Which of the following pension providers have you placed business with in the last 12 months?

We asked advisers which pension providers they have used in the last 12 months. Chart 2 shows the support advisers gave to the various individual pension providers together with the results from 2020 and 2021.
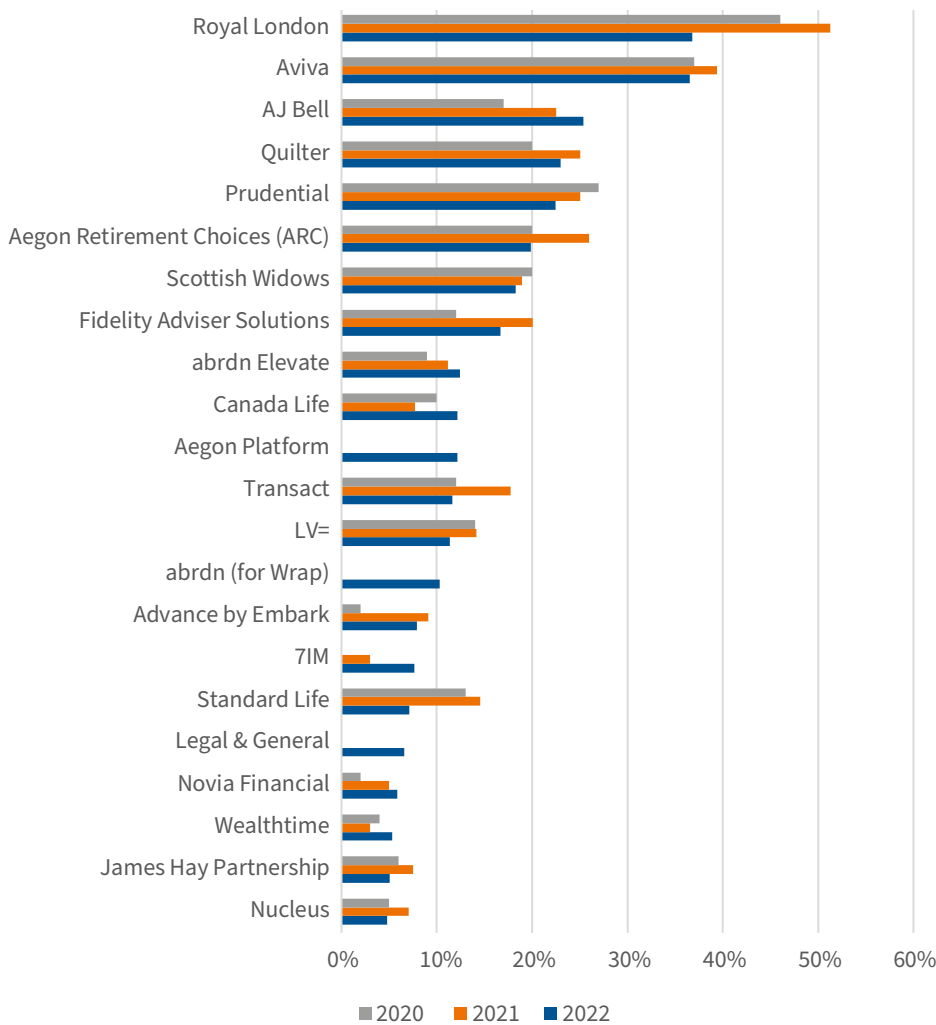
Chart 2: Pension providers recommended in the last 12 months

Royal London and Aviva remain the most recommended providers; however, both have experienced a reduction in support.

AJ Bell increased its support by 13%, moving into third position ahead of Quilter (formerly Old Mutual Wealth) and Prudential, both of which also experienced fewer advisers nominating them this time.

On average, advisers are placing business with 3.9 providers.

Preferred providers

Q: Which of these are your preferred providers for individual pensions?

In addition to asking which providers have been used in the last 12 months, we also asked the advisers to tell us their preferred pension providers.

On average, advisers are nominating 1.5 preferred providers.

18 providers received sufficient nominations as preferred providers to be awarded a service rating this time, and their percentage nomination rate is shown in Chart 3 together with the previous two years' results.

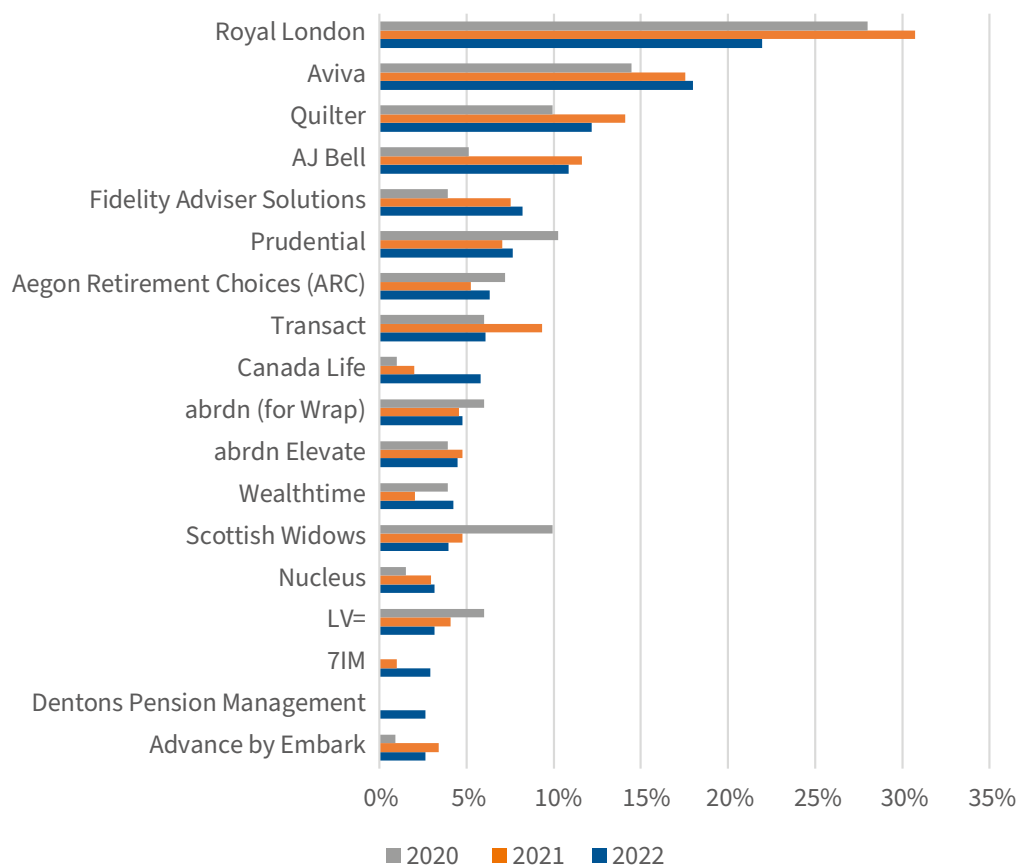Chart 3: Preferred pension providers.

Royal London continues to dominate the individual pensions market being the most popular choice.

Royal London, Aviva and Quilter remain the top three preferred providers compared with last year.

There is a visible increase in support for providers lower down the table, most notably Canada Life, Wealthtime and 7IM. We also see Dentons appearing for the first time.

Service satisfaction categories

Q: How important are the following factors when it comes to the service provided by pension providers?

In this study, the preferred providers were measured against seven aspects of service.

We asked the respondents to say how important each aspect of service is to their business, ranging from 1 'not at all important' to 5 'very important'. From the range of responses, we were able to calculate an average score and rank the aspects of service in order of importance.

Table 1 shows the average importance scores for each service category for the industry as a whole. These are weighted by the importance accorded to each category by the advisers in the study.

Satisfaction category	Average importance score	
	2022	2021
Pension freedom servicing	4.64 (1)	4.72 (1)
Product and proposition	4.61 (2)	4.65 (2)
New business servicing	4.58 (3)	4.57 (3)
Provider strength and brand	4.55 (4)	4.50 (6)
Existing business administration	4.52 (5)	4.57 (3)
Online services	4.49 (6)	4.55 (5)
Provider staff	4.48 (7)	4.46 (7)

Table 1: Ranked order of importance of service categories

The most important categories are *Pension freedom servicing* and *Product and proposition* as was the case last year and the year before, but both with lower average important scores this time. *Provider staff* was considered to be the least important relatively speaking.

Existing business administration and *Online services* both dropped ranked positions and *Provider strength* and brand jumped up from sixth to fourth position.

Satisfaction

Satisfaction is calculated with reference to scores awarded to the preferred providers for each of the seven aspects of service in the range 1–5, where 1 equates to 'very dissatisfied' and 5 equates to 'very satisfied'.

The scores are aggregated to show the satisfaction levels by provider, by service category and for the industry as a whole.

Because the respondents are scoring their preferred providers, we would expect the response to be generally positive. However, where low scores are cast, it is a wakeup call to the provider concerned that their supporting advisers are dissatisfied with some aspect of their proposition.

Industry satisfaction

Q: How satisfied are you with your preferred provider?

The index of satisfaction is calculated by expressing the number of above average scores (4s and 5s) as a percentage of all scores awarded.

Table 2 shows the satisfaction indices for each service category for the industry as a whole. The indices are weighted by the importance accorded to each category by the advisers in the study.

Satisfaction category	Importance	Weighted satisfaction	
		2022	2021
Pension freedom servicing	**1**	85%	86%
Product and proposition	**2**	85%	89%
New business servicing	**3**	83%	79%
Provider strength and brand	**4**	86%	85%
Existing business administration	**5**	80%	76%
Online services	**6**	80%	78%
Provider staff	**7**	78%	78%
Overall	**-**	**82%**	**82%**

Table 2: Industry satisfaction by service categories

With the exception of *Pension freedom servicing* and *Product and proposition*, the most important categories, weighted satisfaction for the other categories increased by, on average, 3%. This shows that advisers are generally happy with their preferred providers' performance, but not necessarily where it counts.

Satisfaction for *New business servicing* and *Existing business administration* increased the most, each by 4%.

For the majority of categories, the weighted satisfaction is in the mid-80% range, with the highest scores attributed to the more important categories representing a fair correlation between weighted satisfaction and importance.

Best performing pension providers

Based on the weighted satisfaction indices for each provider, we can identify the top performers in each of the seven categories of service (refer to Table 3).

Satisfaction category	1st	2nd	3rd
Provider strength and brand	abrdn (for Wrap) Canada Life Fidelity Adviser Solutions Royal London Scottish Widows 7IM Transact	Aviva	Prudential
Provider staff	Wealthtime Dentons Pension Management	Transact	Royal London
Product and proposition	Transact Scottish Widows LV= Fidelity Adviser Solutions abrdn (for Wrap)	Royal London	Canada Life
New business servicing	Fidelity Adviser Solutions abrdn (for Wrap)	Royal London	Canada Life
Pension freedom servicing	abrdn (for Wrap) Wealthtime Dentons	Royal London	Fidelity Adviser Solutions
Existing business administration	Wealthtime Fidelity Adviser Solutions	Royal London	abrdn (for Wrap) abrdn Elevate
Online services	Fidelity Adviser Solutions abrdn (for Wrap) Transact 7IM	Quilter	Aviva Canada Life AJ Bell

Table 3: Best performing pensions by category

abrdn (for Wrap), Fidelity Adviser Solutions and Royal London dominate the table with six appearances in the top three positions across all categories.

Canada Life and Transact also fared well.

Expectations

Chart 4 plots the ranked order of importance for the seven service categories against the ranked order of satisfaction (unweighted).

Plots to the right of the diagonal line are where satisfaction is high and expectations are therefore being exceeded. Plots to the left are where satisfaction is lower than that warranted by the level of importance.

Importance	Rank	Below expectations							Above expectations
Pension freedom servicing	1				●				
Product and proposition	2						●		
New business servicing	3					●			
Provider strength and brand	4							●	
Existing business administration	5			●					
Online services	6		●						
Provider staff	7	●							

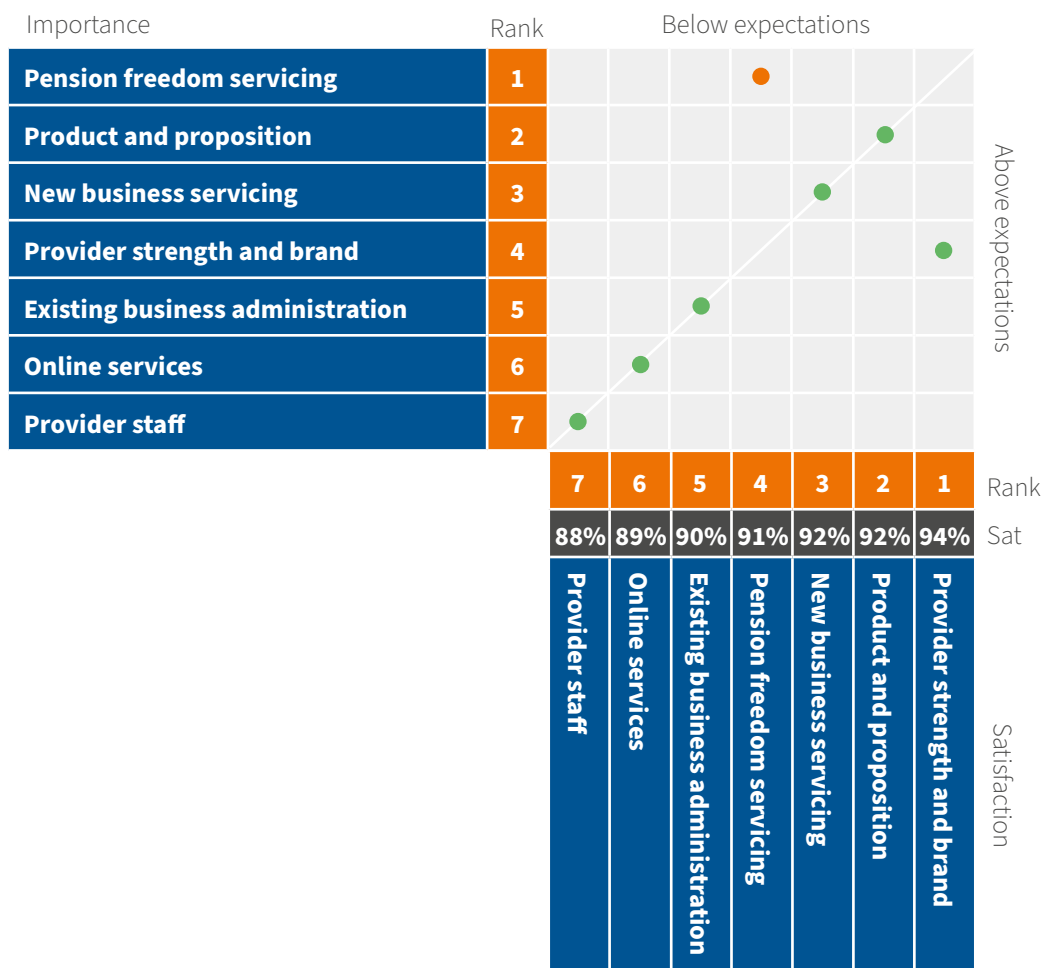|	Rank	7	6	5	4	3	2	1
	Sat	88%	89%	90%	91%	92%	92%	94%
	Satisfaction	Provider staff	Online services	Existing business administration	Pension freedom servicing	New business servicing	Product and proposition	Provider strength and brand

Chart 4: Expectations – crossmatch of satisfaction versus importance

This year's crossmatch of unweighted satisfaction with importance shows an exceptionally good correlation, with the industry meeting or exceeding expectations for six out of the seven categories.

This is good because over-achieving in certain areas can represent a waste of resources and is as potentially detrimental as under-achieving in financial terms.

The only outliers were *Provider strength and brand*, which exceeded expectations by three percentage points, and *Pension freedom servicing*, which fell short by 3%.

This is generally a very positive outcome for the industry. Running this analysis for individual providers will show where a more targeted application of resources may improve the proposition.

Service and due diligence

The results and insights in this document have been collated from a survey among financial advisers and reflect the service and levels of satisfaction those advisers have experienced.

While there is not a direct relationship with the service experience of consumers, there should be a good correlation for clients of adviser firms. It stands to reason that where the adviser is receiving good service, they can be more confident and better equipped to meet client requirements.

This high-level commentary is supported by the detailed scores for each provider listed by service satisfaction category in Defaqto Engage. We do not anticipate that advisers use service scores as the sole measure of suitability, but rather that service scores may feature as one of a number of selection criteria. Advisers should continue to conduct their own research and document their findings before recommending any suitable solutions.

Send us your feedback

Your feedback is extremely important to us and we would be grateful if, after reading this publication, you would take a few minutes to complete a short survey. Your answers will be treated in the strictest confidence and the results of this will help the development of future publications.

The survey can be accessed at:

https://www.snapsurveys.com/wh/s.asp?k=144610976149

About Defaqto

Defaqto is a leading financial information, ratings and fintech business that supports financial institutions, intermediaries and consumers to make smarter financial decisions.

Maintaining the UK's largest financial product database, Defaqto uses proprietary research methodology to develop independent ratings, reviews, insights, and technology that raises industry standards, powers consumer choice, and helps the industry to meet evolving consumer needs.

Building on Defaqto's strong portfolio of ratings, technology and services, 2023 will see major investment in Defaqto's people, products and services to make them mission critical to financial professionals.

Defaqto Ratings

Star Ratings assess the quality and comprehensiveness of the features and benefits for products in general insurance, banking, protection and wealth sectors. They can be viewed in any Star rated product area and added to any research.

Diamond Ratings help segment the funds and portfolios available in each sector because they indicate, at a glance, where funds, fund families and DFMs sit in the market, based on both performance and a range of key attributes, including competitiveness in areas such as cost, scale and manager longevity. You can use them as a filter criterion or use them for fund or DFM comparison.

Service Ratings provide advisers with a simple and unbiased assessment of provider service. Based on advisers' perceptions of the service they receive, providers are rated Gold and Silver.

Risk Ratings use the projected volatility of a fund using asset allocation and historic volatility, based on observed standard deviations, to map a fund to a Defaqto Risk Profile. Risk Profile 10 indicates highest risk and Risk Profile 1 represents lowest risk.

Income Risk Ratings are unique to the market, comparing fund objectives, asset allocations, income and capital volatilities, and maximum drawdown. The Ratings are mapped to four Income Risk Profiles based on the income required and the level of risk. They are: capital preservation, low income volatility, medium income volatility, high income volatility.

Income Drawdown Ratings use the fund's asset allocation and historic returns to assess the levels of sustainable income it can deliver over a given duration, and the likely residual value at the end of the agreed term.

Defaqto Reviews

In response to the growing requirement for advisers to have access to ESG data and fund/DFM research, Defaqto ESG Reviews provide an invaluable resource to assist in assessing funds and DFM MPS from an ESG point of view. With a mixture of qualitative and quantitative data provided in a standard format in Defaqto Engage, advisers can cut through the complexity of ESG to ensure suitable advice.

Also available to advisers through Defaqto's end-to-end financial planning tool, Engage, Defaqto Fund Reviews combine detailed quantitative and qualitative data to produce an in-depth report on not just fund families but also single funds. These can also be used by fund managers to provide more information to advisers beyond the fund factsheet or KIID.

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engage

Defaqto Engage

Defaqto Engage is our financial planning software solution enabling advisers to manage their financial planning process all in one place.

Defaqto Engage contains a wealth of product and proposition information to help advisers select a product that is suitable for their clients' needs and evidence their due diligence for compliance purposes. You can see more at defaqto.com/advisers/Engage/

The Service Ratings and satisfaction results by category are available within Engage. Advisers can use the Service Rating and the individual category satisfaction scores (for example, New business servicing, Existing business administration, Online servicing) during the research process, as one of a number of selection criteria. They can also be added to comparison tables.

Advisers should note that not all providers are rated. To qualify for a Service Rating, providers must receive a minimum number of responses from advisers. So, using any service results in the filtering process may exclude providers offering potentially suitable client solutions from the research output.

Benefits

- **Save time** – consistent use of client data and profiling saves time doing research, suitability reports and client reviews

- **Save money** – one vs multiple systems check

- **Better client outcomes** – from a robust and consistent methodology

- **More robust compliance** – demonstrate a consistent, repeatable advice process

Additional modules available

Pension Switching – Analyse defined contribution pension switch scenarios

CIC Compare – Compare current and historic CIC contracts to establish which policy has the superior CI definitions

To find out more about Defaqto's Engage and book a demo, click here.

You can also call us on 01844 295 546 or email us at sales@defaqto.com

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