

# Analysis of your transfer experience

## LCP can help you understand how your DB scheme's transfer experience is changing

JUNE 2016

At LCP, we are monitoring changes in the transfer experience of defined benefit pension schemes. For each scheme we administer, we produce regular updates summarising the scheme's transfer quotation and payment activity and how it compares to the average LCP administration client. We can do this for your pension scheme too if you give us a small amount of information.

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**Transfer quotations and payments: XYZ Pension Scheme experience to 31 March 2016**

1. Transfer quotations and payments experience to 31 March 2016

The transfer and advice introduced by the 2014 Budget is affecting scheme transfer experience. The Pensions Regulator has said it expects the transfer to monitor and understand demand from members for transfers and the subsequent impact those transfers could have on scheme funding and investment. The information below assists you in this monitoring by summarising the recent transfer experience of the XYZ Pension Scheme (The Scheme) and comparing to the average for LCP's Pension Administration clients.

The attached table provides further information about the aggregate experience of LCP's Pension Administration clients.

Quarterly date	Number of quotations	Total value (£m)	Average age <sup>1</sup>	Average age <sup>2</sup>	Expected number of quotations <sup>3</sup>
2014-Q1	2	685,000	452,000	41	1.9
2014-Q2	3	660,000	274,000	50	3.1
2014-Q3	4	628,000	1732,000	51	2.4
2014-Q4	7	68,221,000	4886,000	56	2.6
2015-Q1	7	61,146,000	4,600,000	56	3.8
2015-Q2	11	63,219,000	2,963,000	62	4.4
2015-Q3	11	64,767,000	4,400,000	54	4.6
2015-Q4	3	1,052,000	694,000	60	3.8
2016-Q1	12	11,899,000	4,020,000	55	8.8
Whole period	63	420,720,000	4,379,000	53	31.3

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**Scheme's transfer payment experience**

Quarterly date	Number of payments	Total value (£m)	Average age <sup>1</sup>	Average age <sup>2</sup>	Total cost (£m)	LCP average cost <sup>3</sup>
2014-Q1	1	454,000	434,000	43	56%	16%
2014-Q2	2	4,060,000	4,036,000	48	67%	13%
2014-Q3	0	0	0	0	0%	14%
2014-Q4	5	44,866,000	11,682,000	58	42%	23%
2015-Q1	1	41,565,000	41,565,000	55	14%	16%
2015-Q2	2	2,714,000	1,187,000	62	16%	16%
2015-Q3	2	2,845,000	4,102,000	56	15%	13%
2015-Q4	1	1,655,000	1,655,000	48	33%	15%
2016-Q1	2	1,719,000	1,690,000	54	17%	16%
Whole period	14	68,851,000	6,814,000	54	23%	14%

**Number of transfer quotations<sup>4,5</sup>**

**Notes**

- Regulatory guidance: DB to DC transfers and conversions, April 2015, paragraphs 17 and 19
- Excluding PFCs (additional voluntary contributions)
- Age at quotation date
- If Scheme's experience had been in line with LCP average
- Payments are classified by quarters using the corresponding quotation date
- Take-up rates for the last two quarters are likely to increase since the data only reflects payments made before 6 April 2016

### Why monitor your scheme's transfer experience?

Understanding your transfer activity – both quotations and payments – will help you judge the importance of your administration processes, member communications and actuarial assumptions in this area. If activity increases, you may wish to improve the scheme's processes and communications, or review the transfer basis more frequently. If you do make changes, analysing your experience will help you determine what impact they are having on member behaviour.

Monitoring how your transfer payment activity is changing will help you understand the implications for the scheme's:

- Cashflow – more transfers could increase your cash requirements, with implications for your investment holdings

- Funding position – transfer payments typically improve the funding position since they use best estimate assumptions without margins for prudence
- Risk profile – transfers remove liabilities from the scheme, with a corresponding reduction in risk and often a shortening of the average duration
- Investment strategy – this may be influenced by actual and expected changes in cashflow requirements, funding position and risk profile.

Comparing your scheme with others indicates whether your experience is typical. For smaller schemes, knowledge of industry trends provides useful information as you wait for a clearer picture of your own experience to emerge.

### What we need

To analyse your pension scheme's experience, we need an Excel spreadsheet with the following information for each DB transfer quotation issued (one row for each quotation):



**Date of calculation** (in dd/mm/yyyy format);



**Transfer value** (excluding Additional Voluntary Contributions and any other money purchase benefits);



**Date of birth** (in dd/mm/yyyy format); and



**Transfer out indicator** ("Yes" if quotation has proceeded to payment, otherwise "No").

Please also tell us the **number of deferred members** in your scheme at the start and end of the period. Details of any **significant changes** over the period would also be useful (eg closure to accrual or bulk transfers).

### Points to note

For consistency with the LCP comparator information, the data should not include any quotations or payments relating to:

- Illustrative figures that the member has not requested (eg transfer values included in requirement quotations);
- Bulk exercises such as a bulk transfer or an incentive exercise;
- Cash transfer sums for short service leavers; or
- Divorce cases.

Ideally the data will cover the period from 1 January 2014 onwards as this is the period for which LCP comparator data is available. You should ensure that you have permission to send us the data. We recommend that you do not provide any additional information such as member name or

NI number, for data protection reasons. We also recommend that the data is password protected for additional security. We will rely on the information supplied and it is therefore your responsibility to ensure that it is sufficiently accurate for the analysis.

### Contact us

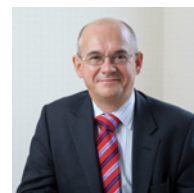
If you have any questions about the data requirements or the analysis we will produce, please contact your usual LCP adviser or one of our experts highlighted here.



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