

# All change for DB transfers?

Issue 8, August 2017

## Transfer activity reaches another all time high in Q2 2017

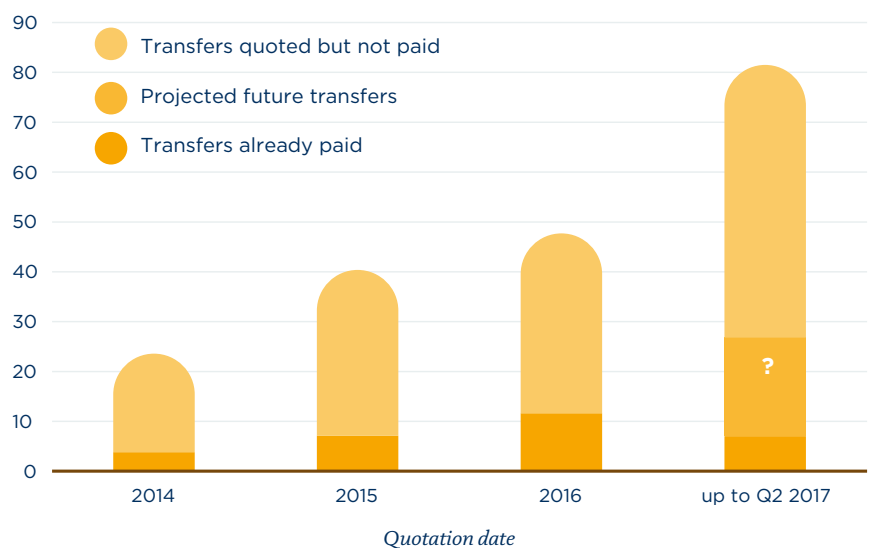
Transfer quotations and take-up rates have continued to increase from their previous historically high levels.

- The number of quotes is now five times the level since we began our analysis (which was for the first quarter 2014). More than 4% of deferred members requested a transfer value quotation in the first half of 2017.
- The number of members taking transfers is up to nearly seven times the level since we began our analysis.
- A third of transfer quotations provided in the last complete quarter were taken up, the highest take-up rate since we began our analysis; this rises to 44% for quotations above £250,000.
- The total amount transferred out from LCP administered schemes was nearly £60m for quotations in the latest complete quarter, 18 times the figure of £3.3m for Q1 2014 when we began our analysis.
- The average transfer in 2016 was £470,000, more than double the average house price in the UK.

Our analysis of transfer value activity continues to show increasing activity from quarter to quarter. Requests for transfer value quotations are becoming increasingly common amongst those members approaching retirement and we have seen a marked increase in the number of transfer values being paid out, particularly for transfer values over £250,000.

Normal transfer values now represent a material natural form of liability de-risking for many of these schemes.

### Annualised quotation rate per 1,000 deferred members



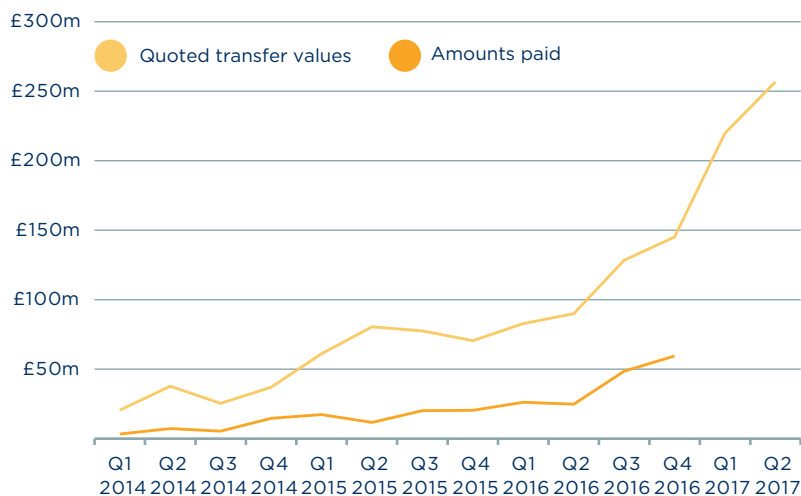
+ Analysis is based on 78 schemes at 30 June 2017, for which LCP provide pensions administration services, with approximately 31,000 deferred pensioners.

Our analysis only includes quotations requested by members. It excludes unsolicited quotations, such as those provided in retirement packs and incentive exercises.

## Change in transfer activity

Over the 12 months to 30 June 2017 our administration teams have provided transfer value quotations to almost 7% of deferred members with a value of £750m in total. Activity has increased markedly over recent quarters with £250m worth of transfer values being quoted in Q2 2017 alone.

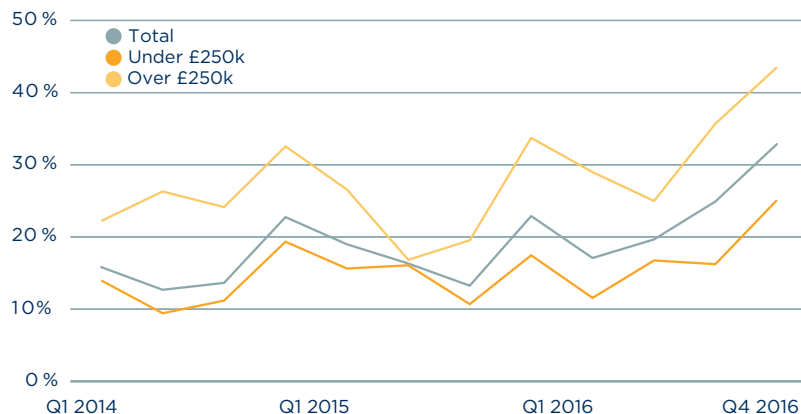
Change in transfer activity since 2014



## Are take-up rates increasing?

Take-up rates are the highest we have seen since we began our analysis. One third of transfer values quoted in Q4 2016 have been paid out. When looking only at those transfer values over £250,000 the take-up rate was 44%. This compares to take-up rates of less than 15% for the first half of 2014.

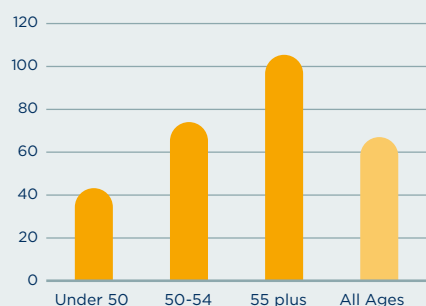
Proportion of transfers taken over and under £250k



Quotation and take up rates continue to be highest for those aged 55 and over. Around 11% of deferred members aged 55 and over requested a transfer value in the year to 30 June 2017 compared to around 7% of deferred members as a whole.

## Transfer value quotations. Quotations issued in year to 30 June 2017

Number of quotations per 1,000 deferred members in each age group



**67**  
No. per 1,000  
deferreds  
(all ages)

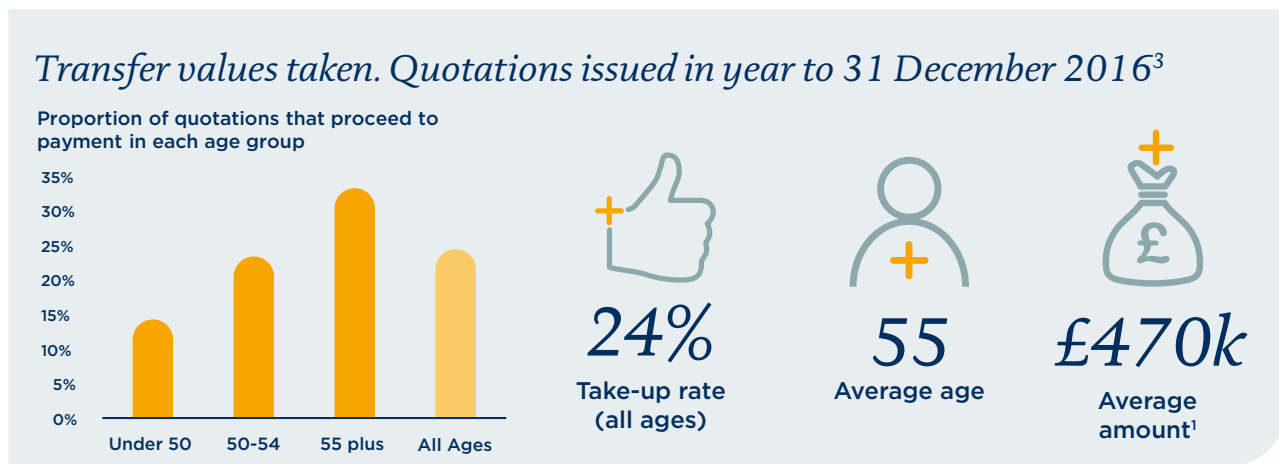


**53**  
Average age



**£376k**  
Average  
amount<sup>1</sup>

Around 33% of quoted transfer values proceeded to payment for those members aged 55 and over compared to 24% of all transfer values quoted in that period. The average transfer value taken in the year to 31 December 2016 was £470,000, more than double the average price of a house in the UK<sup>2</sup>.



The Financial Conduct Authority are currently consulting on how advice should be provided to consumers on pension transfers, primarily for transfers from DB to DC. If this results in advice starting in a more neutral position than the current one of assuming that a DB transfer will not be in the member's best interest, this could result in a further increase in take up rates.

<sup>1</sup>Excluding any Additional Voluntary Contributions.

<sup>2</sup>£221k average house price - Land Registry UK House Price Index as of May 2017.

<sup>3</sup>There can be a delay of up to six months between a transfer quotation being issued and the corresponding transfer payment being made. For this reason, this analysis of payments relates to quotations issued more than six months ago.

## Contact us

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