

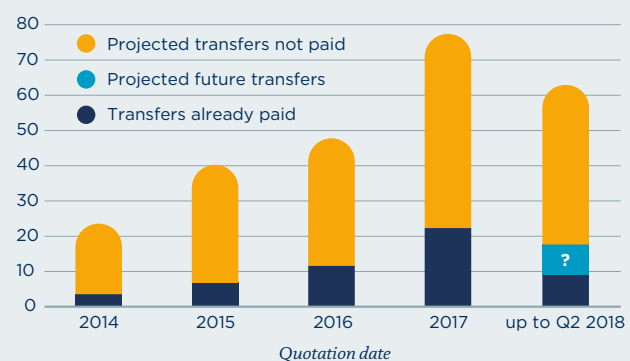
# All change for DB transfers?

LCP's quarterly review of the transfer experience of the schemes we administer  
Issue 13, November 2018

## *Transfer fever begins to subside, particularly among younger members*

- In the latest quarter, quotation rates have decreased since Q2 2018 and have dipped further below the record level of activity in 2017. The rate of quotation requests fell to 1.6% of deferred members in Q3 2018 compared to 1.7% in Q2 2018 and 1.9% in Q3 2017 – though this is still nearly three times the level in 2014 before the introduction of freedom and choice.
- The number of payments in respect of quotations given in Q1 2018 (the latest quarter for which all transfers have now been paid out) was 46 payments per 10,000 members. This is the lowest payment rate since Q3 2016 and is significantly lower than the all-time high of 66 payments per 10,000 members in Q3 2017.
- Around a quarter of the schemes included in our analysis include an estimated transfer value in the retirement packs provided to members. 16% of members aged over 55 in these schemes requested transfer values between 1 April 2017 and 31 March 2018, compared with 12% of members in other schemes. Furthermore, 44% of these quotes were paid, compared with 33% in other schemes.

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



## *GMP inequalities ruling: what impact will it have on transfers?*

After almost 30 years since the Barber judgment, when the European Court ruled that pension benefits for men and women should be equalised, the High Court has handed down a judgement in the Lloyds Banking Group case. The Court has ruled that inequalities in scheme benefits arising from unequal guaranteed minimum pensions (GMPs) accrued between 17 May 1990 and 5 April 1997 must be removed (at the time of writing it is not apparent this judgement will be appealed). The judgment will have significant implications for most UK defined benefit pension schemes on many fronts including transfer value payments.

### **In relation to transfer values trustees may wish to consider the following:**

- Should members be given the option to defer their request for a transfer quote until a value on an equalised basis can be provided?
- Should members be given the option to proceed with a transfer on the current basis with any top-up to be paid once the equalised value is known?
- Should members who have recently been provided with a quote and are still within the acceptance period be written to and provided with the option to defer or proceed with the possibility of a subsequent top-up?

**The uncertainty and complexity surrounding this issue could well mean that we see a tailing-off of transfer activity over the coming months. Some immediate actions for trustees to consider are:**

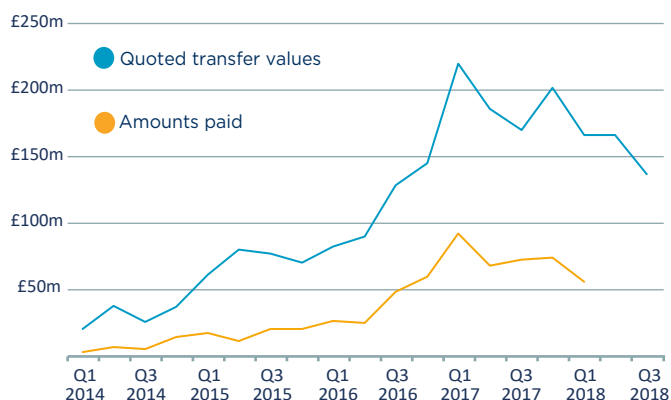
- Agree an immediate response with the scheme administrators
- Consider the legal and tax implications of any proposed actions
- Review communications and discharge forms.

## Change in transfer activity

Over the 12 months to 30 September 2018 our administration teams have provided transfer value quotations to 7% of deferred members with a value of £670m in total. The total amounts quoted quarterly have decreased over 2018 compared to the record level of activity over 2017, but remain significantly higher than in 2014.

Over £56m was paid out for quotes provided in Q1 2018 with an average size of £389,000; this compares to the peak for quotes provided in Q1 2017 (£92m paid out with an average size of £627,000).

### Change in transfer activity since 2014

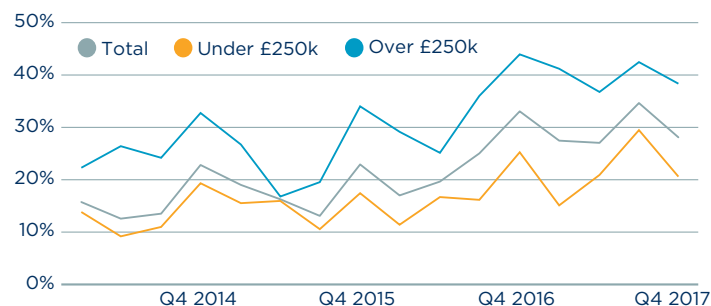


## Have take-up rates changed?

Overall Q1 2018 take-up rates have remained at the level of the previous quarter (28%) from the previous high of 34% (Q3 2017).

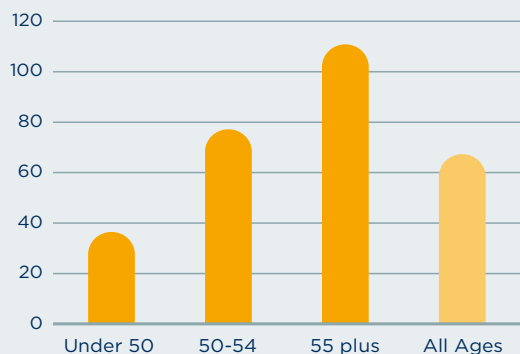
Quotation and take up rates continue to be highest for those aged 55 and over. Over 11% of deferred members aged 55 and over requested a transfer value in the year to 30 September 2018, compared to 7% of deferred members as a whole.

### Proportion of transfers taken over and under £250k



## Transfer value quotations. Quotations issued in year to 30 September 2018

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



**69**  
No. per 1,000  
deferreds  
(all ages)

**54**  
Average age

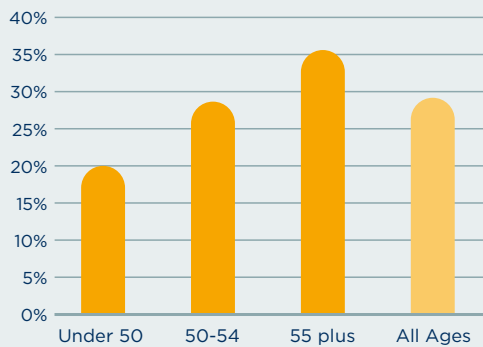
**£310k**  
Average  
amount<sup>1</sup>


<sup>+</sup>Analysis is based on 76 schemes at 30 September 2018, for which LCP provide pensions administration services, with approximately 30,000 deferred pensioners. Our analysis only includes quotations requested by members. It excludes unsolicited quotations, such as those provided in retirement packs and incentive exercises.

Around 35% of quoted transfer values proceeded to payment for those members aged 55 and over compared to 29% of all transfer values quoted in the year to 31 March 2018. The average transfer value taken in the year to 31 March 2018 was £397,000, about 1.5 times the average price of a house in the UK.

## Transfer values taken. Quotations issued in year to 31 March 2018<sup>2</sup>

### Proportion of quotations that proceed to payment in each age group



  
**29%**  
Take-up rate  
(all ages)

  
**55**  
Average age

  
**£397k**  
Average amount<sup>1</sup>

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

<sup>2</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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