

# All change for DB transfers

LCP's quarterly review of the transfer experience of the schemes we administer

Issue 19, May 2020

## Transfer activity falls sharply following Covid-19 lockdown – but early signs of starting to pick up again

- Since the start of the Covid-19 lockdown in the UK (week commencing 23 March 2020) we have seen a sharp reduction in transfer quotation activity, with the rate of requests falling initially to well below 50% of pre-lockdown levels. The most recent three weeks have though seen a material increase in activity – perhaps a precursor to a resumption of normal (or higher) activity levels as we come out of the lockdown?

### Total requests for all LCP schemes



- Before the lockdown transfer activity had in fact been increasing. The number of transfer quotations in Q1 2020 was up 20% from the previous quarter, with 1.5% of deferred members receiving a quotation in this quarter. This is similar to the levels of activity seen in late 2018 and early 2019.
- Take-up rates in respect of quotations provided in Q3 2019 were however the lowest seen since 2016, with only 22% of quotes paid out. This is well below the average take-up rate over the last 3 years of 27%. Of the quotes paid out from Q3 2019, 75% of the total value subsequently paid out was to members aged 55 and over; this is the highest proportion since we started our analysis on 1 January 2014.

## *The impact of Covid-19 on transfer activity*

It was widely feared that uncertainty surrounding the current financial climate and the future sustainability of sponsoring employers, as a result of the Covid-19 pandemic, could lead to many more members of DB schemes considering transferring their pension benefits when they wouldn't otherwise have done so. The Pensions Regulator has as a result asked trustees to alert their members to the risks involved with transferring DB benefits and to support members by helping them make an informed decision.

At the end of April the Pensions Regulator issued [guidance](#) to trustees covering communication with members during Covid-19 which said "You should actively monitor the number of requests for CETV quotes you receive and which advisers are supporting the members' request. If you identify unusual or concerning patterns, such as spikes in CETV requests or the same adviser across a multitude of requests, please contact the FCA on [DBTransferSchemeInformation@fca.org.uk](mailto:DBTransferSchemeInformation@fca.org.uk)."

To help our clients with this we now monitor on a weekly basis transfer quotation activity levels across the 81 schemes we administer. The chart on page 1 shows the number of transfer requests received each week across all LCP administration clients since the start of 2020. This shows:



**Greatly reduced levels of activity in the first few weeks of lockdown**



**Overall the rate of quotation requests received in the 8 weeks post-lockdown was under half (around 45%) that in the first 11 weeks of 2020 (ie prior to lockdown).**



**An increase in recent weeks but activity still currently well below pre-lockdown levels. This could be the beginning of a trend back towards pre-lockdown levels, but it is still too early to tell for sure.**

## *How many schemes are suspending transfer quotations?*

In [Covid-19 guidance](#) to trustees issued by the Regulator at the end of March, the Regulator said that trustees may decide to suspend cash equivalent transfer value (CETV) quotations and payments to give themselves time to review CETV terms and/or to assess the administrative impact of any increase in demand for CETV quotes. Although this may mean a breach of the disclosure requirements, the Regulator indicated that they will not take regulatory action for 3 months against trustees that chose to suspend CETV activity.

A recent survey of LCP's administration clients showed that 28% of schemes (covering 37% of the total non-pensioner membership) had decided to pause or reduce transfer quotations as a result of Covid-19, although some of these have by now already lifted the temporary restrictions.

## *What's likely to happen later this year?*

So far we've seen a sharp reduction in transfer activity as people take stock of life under lockdown, and for many the Government's furloughing arrangements have protected them from immediate financial difficulties. A continuing concern however is that, as furloughing is wound down, redundancies may escalate and a serious squeeze on household finances as support measures are switched off could have a big impact on the behaviour of many over 55s. Pension scheme trustees should therefore remain alert to an increase in quotation requests – in particular as a potential adviser capacity crunch later in the year could leave members more vulnerable to a rise in scam activity.

## Change in transfer activity

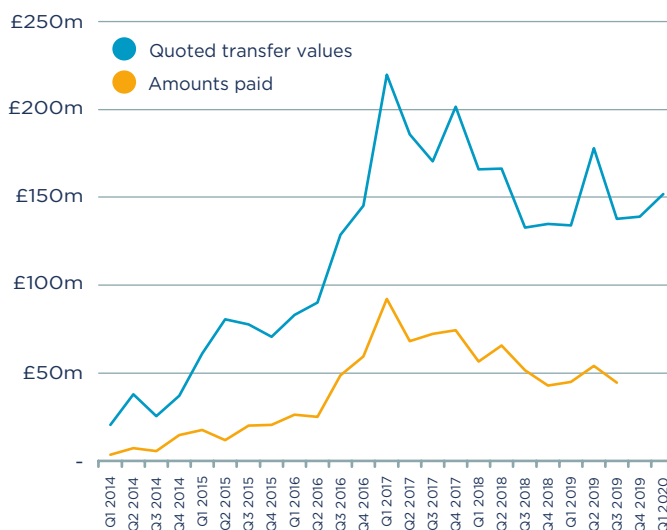
Over the 12 months to 31 March 2020 our administration teams have provided transfer value quotations to 5.8% of deferred members, with a value of £607m in total. This compares to 6.1% and £568m for the year to 31 March 2019. Transfer quotation activity has broadly stabilised at these levels over the course of 2018 and 2019 and is significantly lower than the peak in activity seen in 2017 when almost 8% of deferred members requested transfer quotations with a value of £778m.

The total value of payments in respect of quotations provided in Q3 2019 decreased to £44m with an average size of £425,000; this compares to the peak for quotations provided in Q1 2017 (£92m paid out with an average size of £627,000).

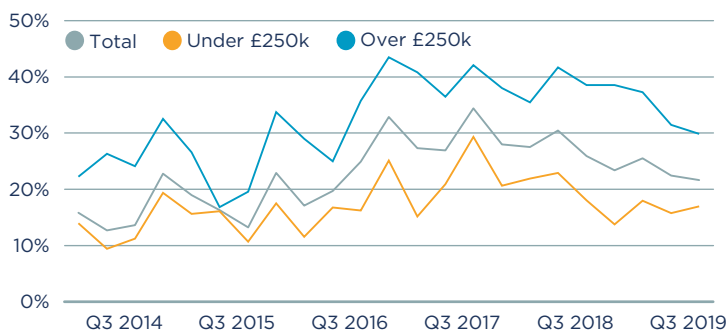
## Have take-up rates changed?

The take-up rate in Q3 2019 was 22%; this is slightly lower than the previous quarter and is the lowest rate since Q2 2016. Take-up rates continue to be highest for transfers over £250k with a take-up rate of 30% in Q3 2019 compared to a take-up rate of 17% for transfers under £250k.

### Change in transfer activity since 2014

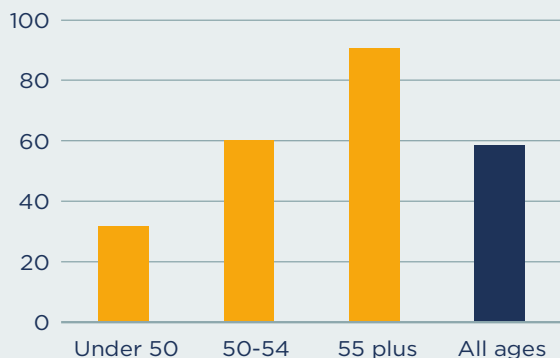


### Proportion of transfers taken over and under £250k



## Transfer value quotations. Quotations issued in year to 31 March 2020

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



**58**  
No. per 1,000  
deferreds  
(all ages)

**54**  
Average age

**£315k**  
Average  
amount

Quotation rates continue to be highest for those aged 55 and over. Around 9% of members aged 55 and over requested a transfer quotation in the year to 31 March 2020, compared to only 3% of members under 50.

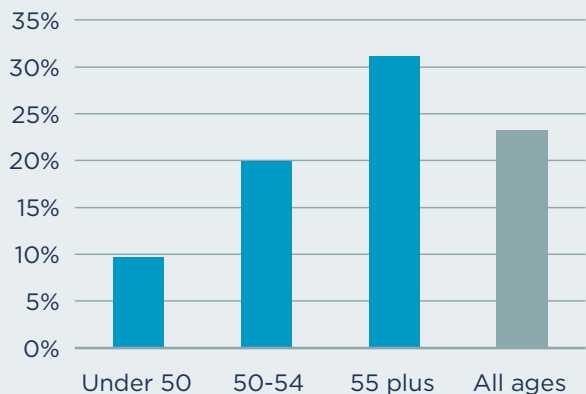
+ Analysis is based on 81 schemes at 31 March 2020, for which LCP provide pensions administration services, with approximately 33,000 deferred pensioners. Our analysis only includes quotations requested by members. It excludes unsolicited quotations, such as those provided in retirement packs and incentive exercises.


## Which members are taking transfers?

Around 31% of quoted transfer values proceeded to payment for those members aged 55 and over compared to 23% of all transfer values quoted in the year to 30 September 2019. Less than 10% of transfers quoted to members under 50 were taken over the same period. As a proportion of all quotations in Q3 2019 which were then paid, 68% were paid to members aged 55 and over, and 13% were paid to members under 50.

### Transfer values taken. Quotations issued in year to 30 September 2019

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



  
**23%**  
 Take-up rate  
 (all ages)

  
**56**  
 Average age

  
**£409k**  
 Average amount

The average transfer value taken in respect of quotations in the year to 30 September 2019 was £409,000, around 1.75 times the average price of a house in the UK.

## Contact us

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