

All change for DB transfers?

ISSUE 6

Changes in members' transfer behaviour due to Freedom and Choice

FEBRUARY 2017

After Freedom and Choice was announced in the 2014 Budget, LCP saw a significant increase in the number of members requesting transfer value quotations. The average transfer value quoted and the average age of members requesting quotations also increased.

Over the past year or so, the number and profile of members requesting quotations broadly stabilised at these higher levels. However, since the Brexit referendum, and in particular in Q4 2016, we have seen a further significant jump in the number of transfer requests. This has been prompted by the media coverage or is a result of members talking to each other highlighting higher than usual transfer values and the potential benefits of flexible drawdown.

What is causing the significant increase in transfer activity?

Following the Brexit referendum, UK government bond yields fell to record lows. For many schemes, this is being reflected in significantly higher transfer values, something which has been highlighted in the press. Perhaps as a result of this media interest, we saw a significant increase in quotation activity in Q4 2016 with the highest number of requests since the start of our analysis three years ago. The number of quotes was up 21% compared to Q3 2016 and up 64% compared to the same period a year ago.

Which members are requesting transfer quotations and taking up payment?

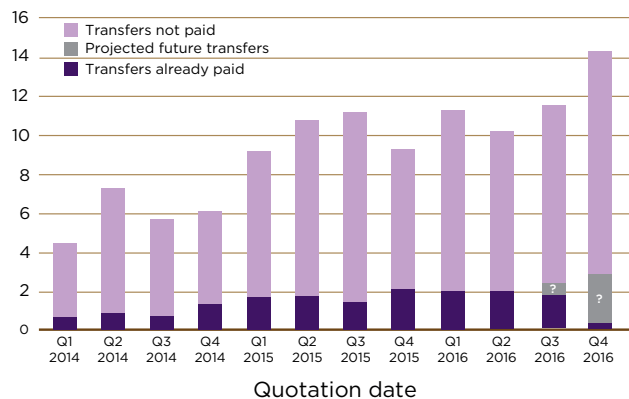
Whereas up till now most of the increase in quotation activity has been among the over-50s, in Q4 2016 the number of transfer value quotation requests from the under 50's rose sharply with an increase of 40% compared to the previous quarter and 46% compared to the same period a year ago. We suspect that the increase in interest of the under 50s in Q4 2016 is a result of the increased awareness to higher transfer value amounts. We will shortly see if this translates into more of these members taking transfers.

Do you know how your scheme's transfer experience has changed since April 2015?

We are monitoring the changes in transfer experience for the defined benefit schemes we administer¹. Here, we summarise the experience up to 31 December 2016.

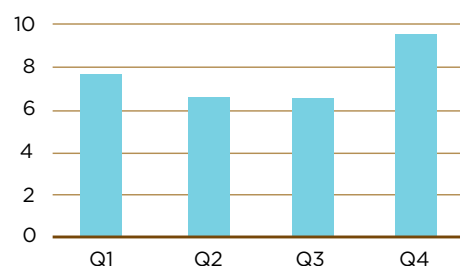
If you would like to [see how your scheme's experience compares](#) with the LCP average, please contact us.

Number of transfer quotations per 1,000 deferred members

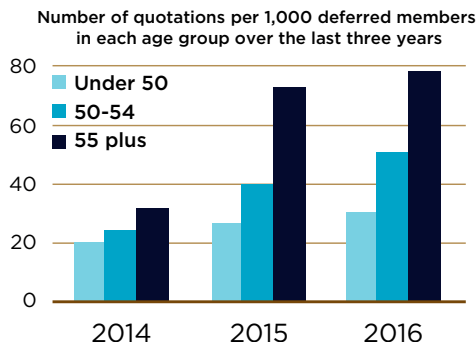


Our analysis only includes quotations requested by members. It excludes unsolicited quotations, such as those provided in retirement packs and incentive exercises.

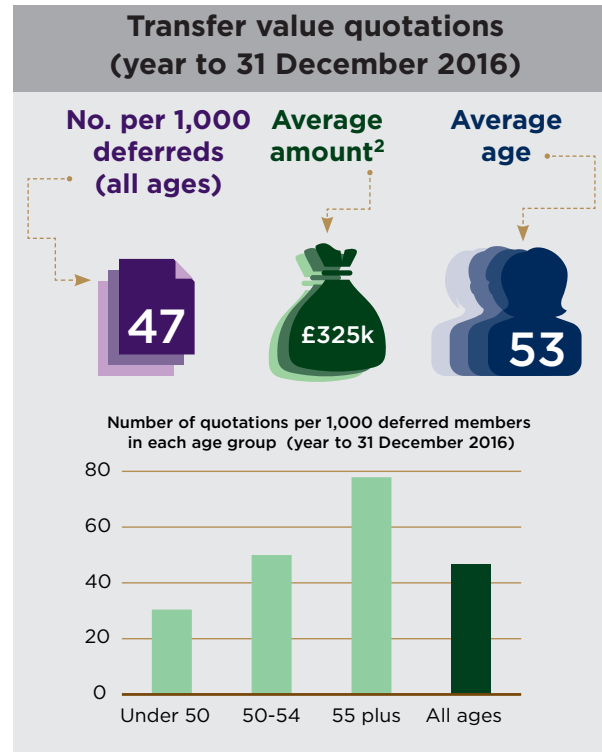
Number of quotations per 1,000 deferred members in the under 50's age group over 2016



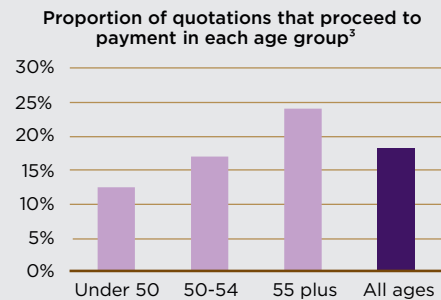
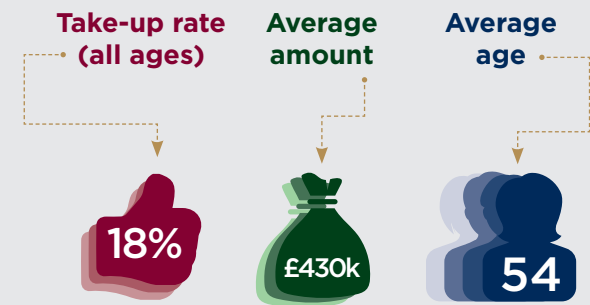
¹ Analysis is based on 77 schemes at 31 December 2016 with about 28,400 deferred members



Quotation and take up rates continue to be highest for those aged 55 and over. Around 8% of deferred members aged 55 and over requested a transfer value in the year to 31 December 2016, compared to around 5% of deferred members as a whole. So far, for quotes provided in Q3 2016, 72% of transfers (by amount) were paid to members over the age of 55 and 14% were paid to those over age 60.



Quotations issued in year to 30 June 2016



² Excluding any Additional Voluntary Contributions

³ 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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