

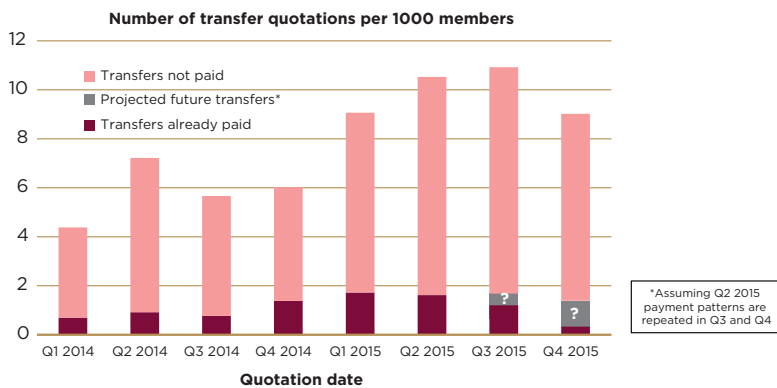
All change for DB transfers?

ISSUE 2

Changes in members' transfer behaviour due to Freedom and Choice

FEBRUARY 2016

Since Freedom and Choice was announced in the 2014 Budget, LCP has seen a significant increase in the number of members requesting transfer value quotations. There was a spike in the months immediately after the announcement, followed by a more sustained increase during 2015. We have also seen substantial increases in the average transfer value quoted, and in the average ages of members requesting quotations and taking transfers.



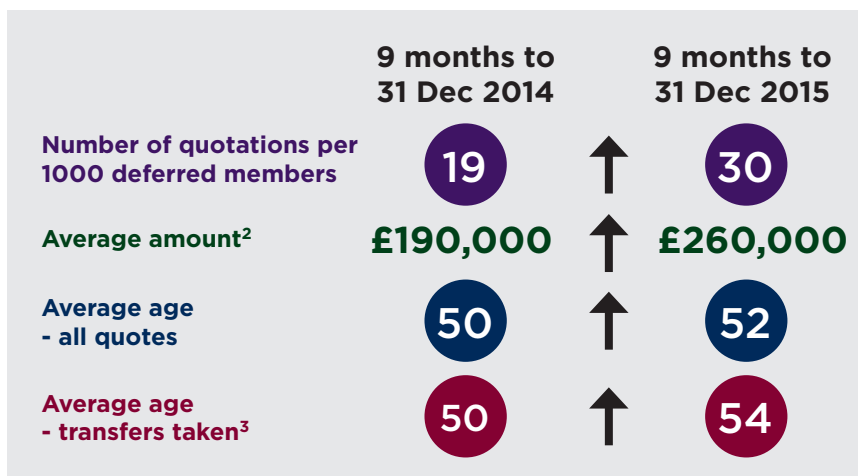
Do you know how your scheme's transfer experience has changed since April 2015?

We are monitoring the changes in transfer experience for the defined benefit schemes we administer¹. Here, we summarise the experience up to 31 December 2015.

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

How pension schemes are responding

More trustees are choosing to highlight the transfer option in member communications. Currently, nearly 30% of LCP's administration clients are providing illustrative transfer values in retirement packs; all the rest are describing the option without providing a figure. In addition, around 15% have decided to offer partial DB transfer values, although as yet few have put their new processes into practice. It will be interesting to see how transfer quotation and payment rates evolve, and how this is affected by the practices that trustees adopt.



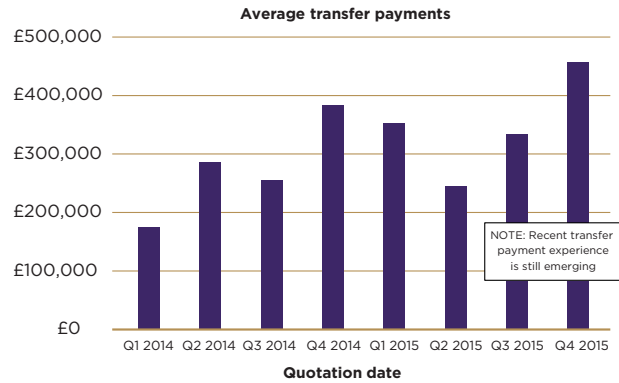
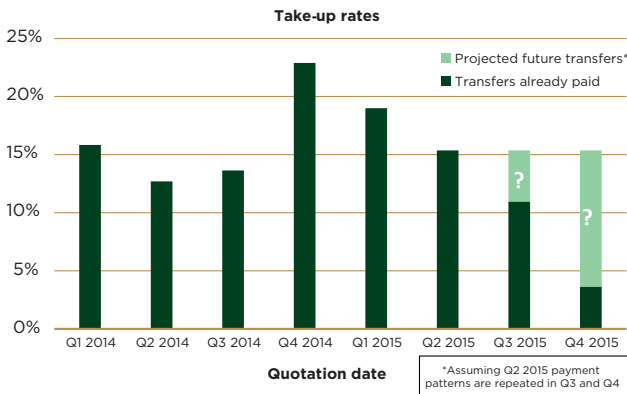
¹ Analysis is based on 81 schemes at 31 December 2015 with about 27,400 deferred members

² Excluding any Additional Voluntary Contributions

³ Quoted in the period shown and paid by 13 January 2016. Transfer payment experience for quotations issued in the second half of 2015 is still emerging.

Payment experience

More detailed data on the changing pattern of transfer payments taken by members is now starting to emerge. The larger number of quotations has translated into more transfer payments, with a noticeable up-tick in take-up rates in the six months prior to April 2015. However, take-up rates fell back to previous levels in the second quarter of 2015 – perhaps as a consequence of the new requirements to take financial advice for most transfers. Early indications are that take-up rates in the second half of 2015 will be similar.



In most of the last eight quarters, the transfer quotations that proceeded to payment were on average much larger than the ones that did not. An exception was the second quarter of 2015, immediately after the new advice requirements were introduced for transfer values in excess of £30,000 - possibly suggesting that the advice requirements initially acted as a barrier for larger payments. Average transfer payments then increased markedly in the remainder of 2015, with prompt acceptance of several very large quotations.

Contact us

If you would like further information, please contact your usual LCP adviser or one of the people below.



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