



BRIEFING

Transfer value experience - Q2 2024

We have analysed defined benefit (DB) cash equivalent transfer values (CETVs) over the twelve months to 30 June 2024.





Transfer value amounts

The charts to the right illustrate how CETV amounts for a 60-year-old have changed over the quarter and the year, in response to changes in market conditions.

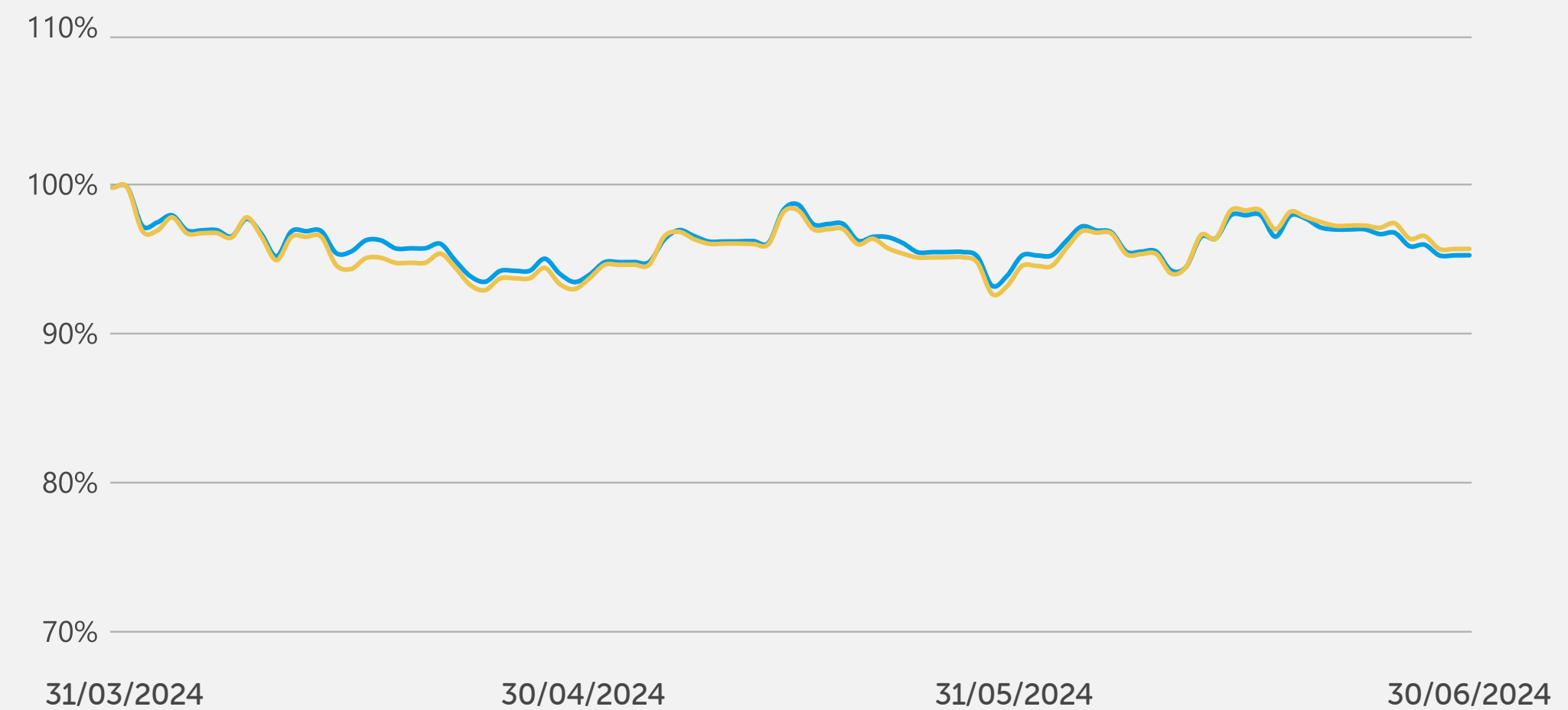
The impact can vary significantly depending on a scheme's benefit structure. Therefore, the illustrative changes in CETVs are shown separately for pensions that increase in payment in line with inflation (**blue lines**) and for pensions that increase in payment at a fixed rate (**yellow lines**).

CHANGES IN CETV AMOUNTS

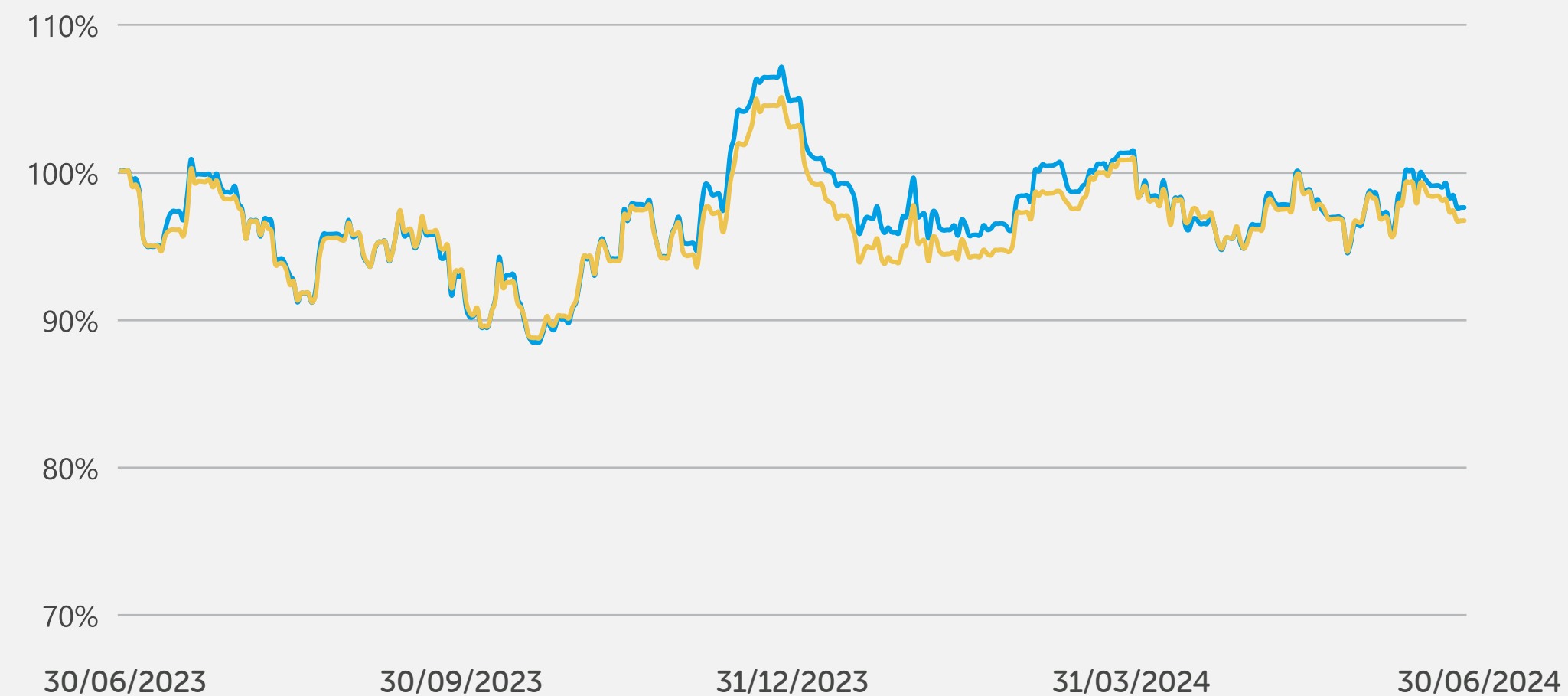
- A typical CETV for a 60-year-old member decreased by around 3% for inflation linked increases and around 2% for fixed increases across the twelve months to 30 June 2024.
- In the second quarter from 1 April 2024 to 30 June 2024, CETVs decreased by around 4% for both inflation linked increases and fixed increases, causing the annual decrease.
- The yearly change chart demonstrates that over the past twelve months, CETV amounts have been more stable than in recent years. However, there were still periods of volatility, largely due to changes in long-term gilt yields.

● Relative CETV for a 60 year old member with fixed pension increases ● Relative CETV for a 60 year old member with inflation-linked pension increases

Illustrative Quarterly Change in Transfer Value Amount



Illustrative Yearly Change in Transfer Value Amount



Transfer value exercises

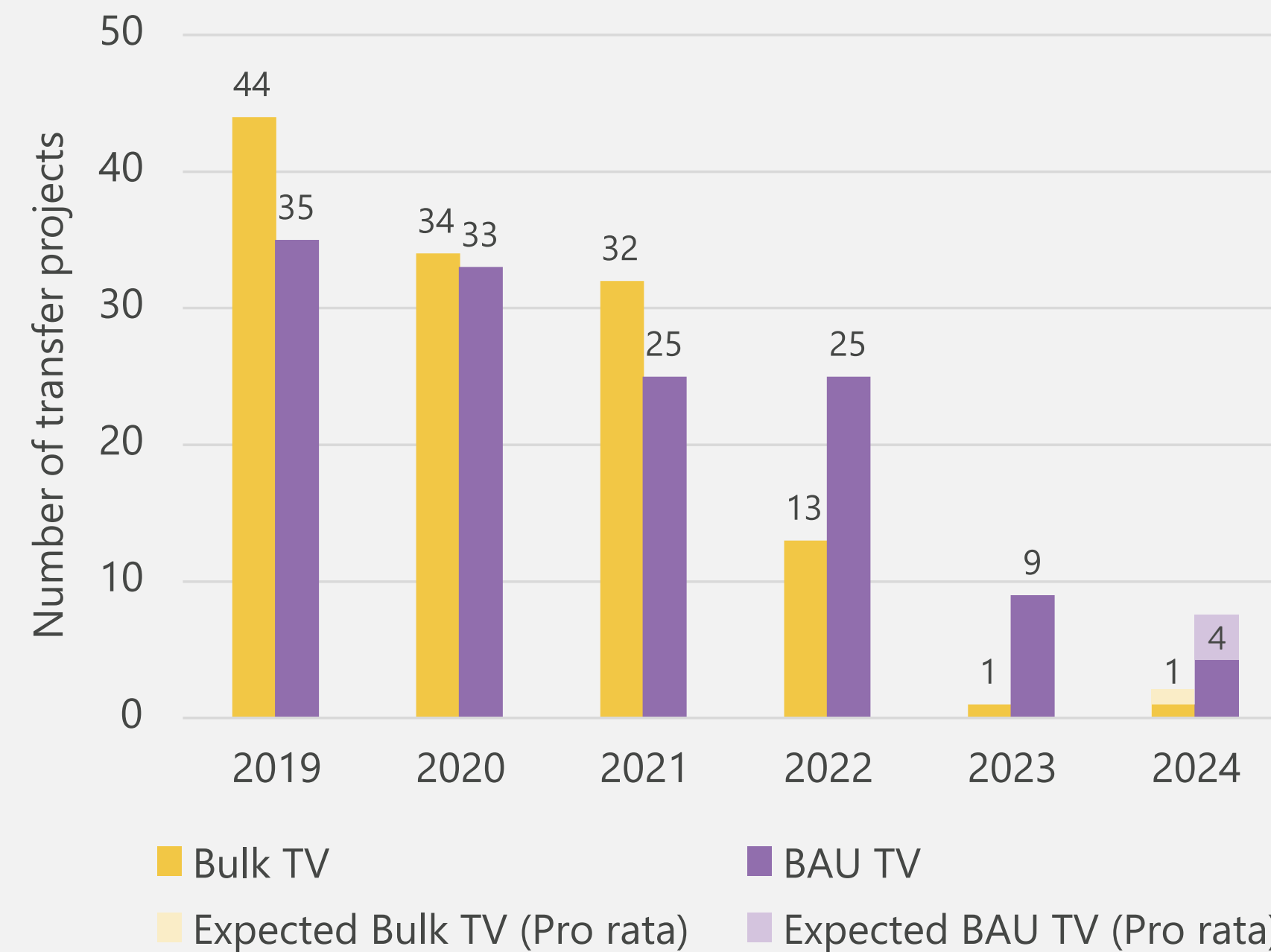
Following the introduction of the pension flexibilities in April 2015, schemes increasingly looked to support members with retirement and transfer decisions.

We have analysed data on Independent Financial Advisor (IFA) supported transfer value exercises that we're aware have come to the market. This covers both one-off bulk exercises and ongoing business-as-usual (BAU) exercises.

In both types of exercises, the employer and/or trustees were appointing an IFA to provide financial advice to scheme members.

The chart to the right shows the market activity we have been aware of since 2019. The source of this data are exercises we have seen instigated on our own clients, plus data on exercises we see via the IFA firms we work with. It will not capture all exercises brought to market.

Number of transfer projects by calendar year



As seen in the above chart, there was a significant drop off in transfer value exercises throughout 2023. This trend appears to have continued into the first half of 2024, with only five projects coming to the market in the opening six months. The decreased number of exercises may be a result of schemes focusing on buyout preparations, as well as reduced CETV values.



All transfer value activity

Transfer value quotes and payments

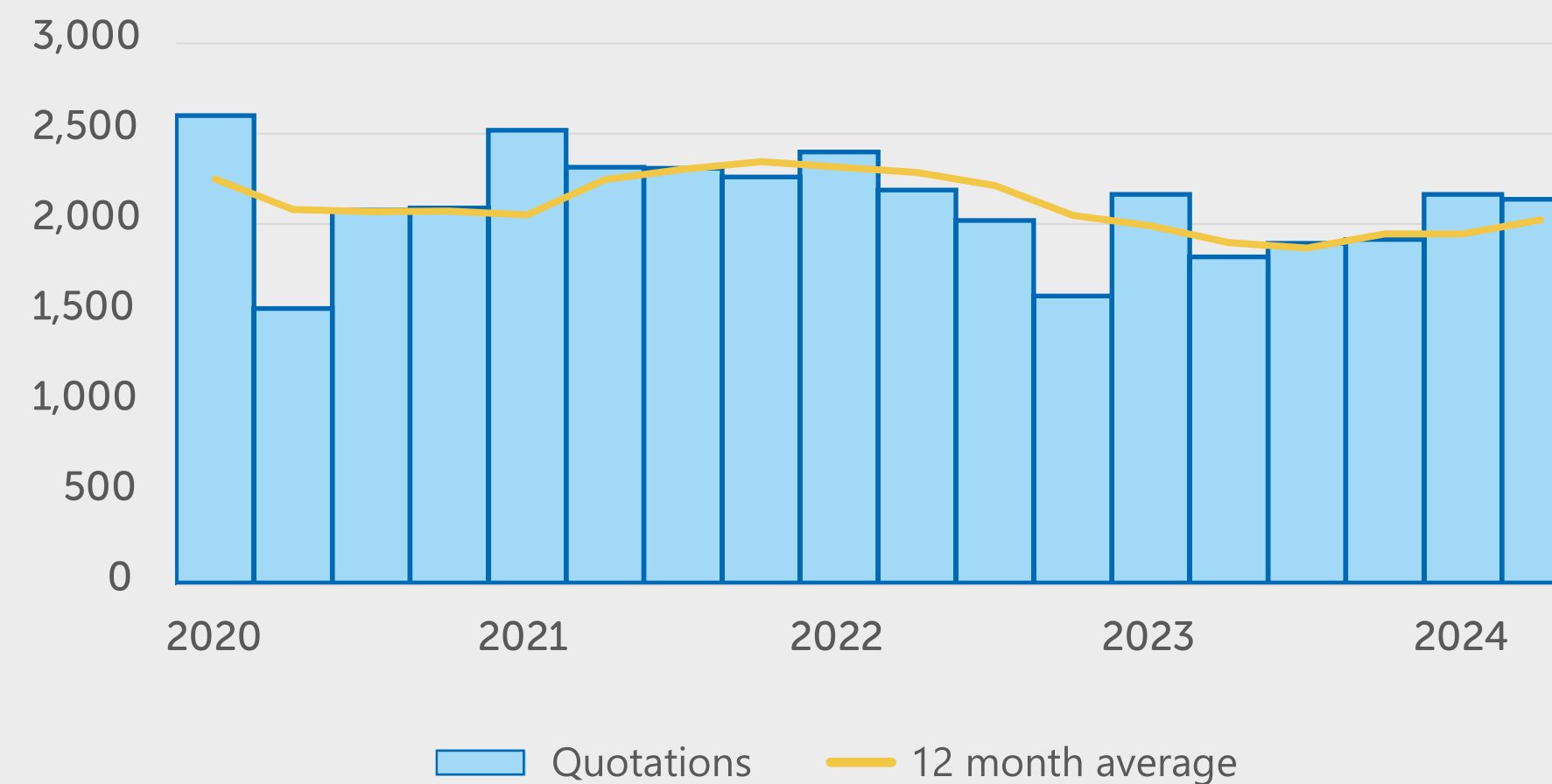
The two charts illustrate that transfer value activity is currently relatively stable, meaning that it remains at a low level when compared with historical standards.

Our analysis shows minimal change in the number of quotations requested over the quarter, though this represents an increase compared to the number of member requests one year ago.

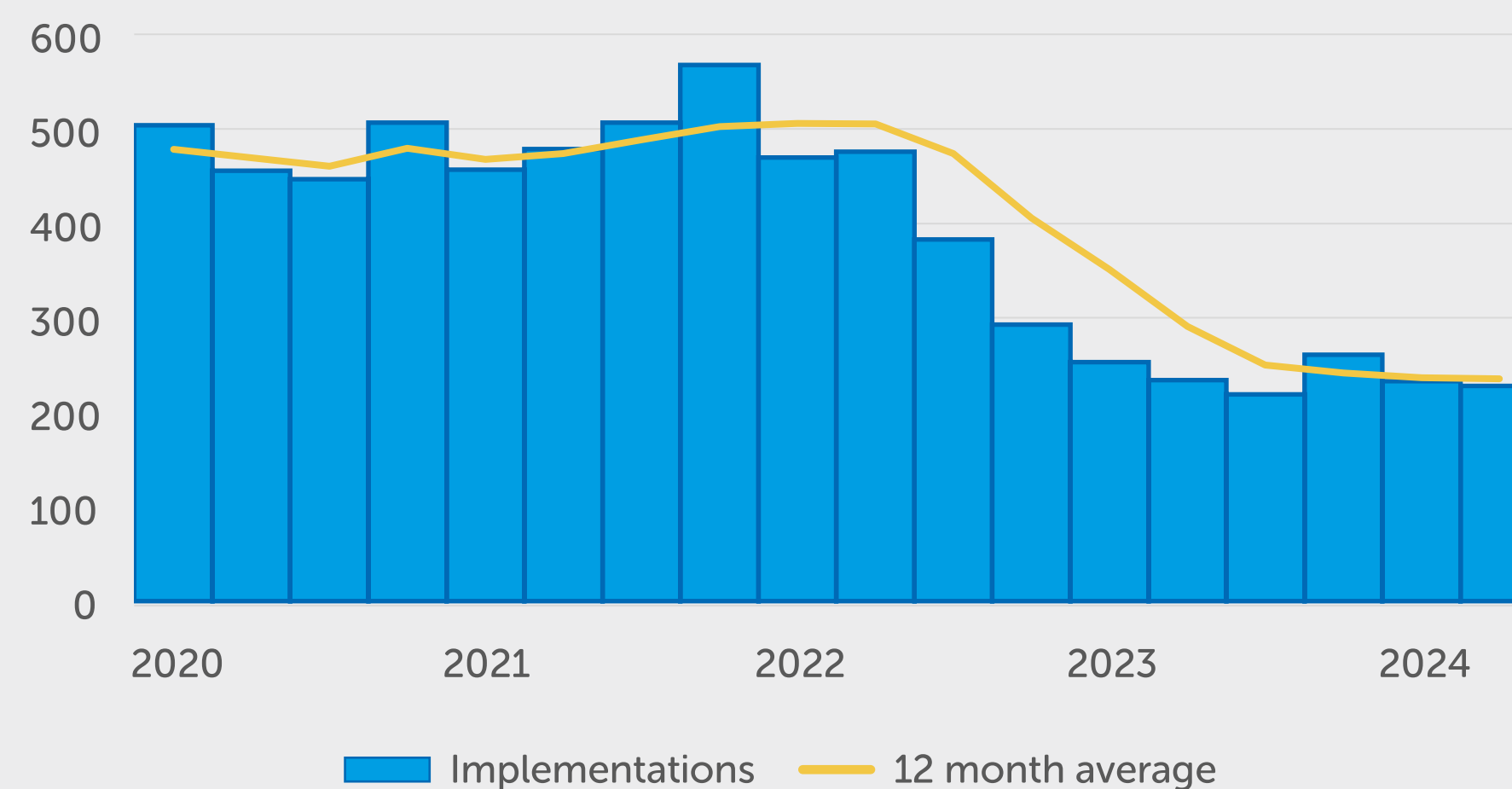
However, member requests are still much lower than prior to the significant falls in CETVs that followed the material rise in gilt yields over 2022. Changes introduced by the Financial Conduct Authority (FCA) in October 2020 may also be a contributing factor to the low number of transfer value quotations.

The number of transfer payments made also remained mostly unchanged over the quarter and year to 30 June 2024.

Quarterly transfer out quotes and payments - CETV Quotation



Transfer out quotes and payments (12 months) - CETV implementations



Latest CETV related news

- With a new government now in place, it's uncertain whether there will be any proposed changes affecting DB transfers, though it's unlikely to be a priority given current low transfer volumes and the significant regulatory changes introduced under the previous administration.
- Before the election, there was speculation that the £30,000 advice threshold would be lifted to £100,000, which may be an area the government continues to look at. With the government's first Budget set for 30 October, the industry will also be keeping its eyes peeled for any pension tax changes, particularly around the now abolished Lifetime Allowance.
- Our [blog](#) sets out our thoughts on what the current 'new normal' means for member option exercises, like a transfer value exercise. It concludes that, whilst trustees and sponsors may not have compelling reasons to do the types of exercises we have seen in the past, members are still likely to benefit from a proactive approach in this area.





Please contact your Barnett Waddingham consultant if you would like to discuss any of the above topics in more detail. Alternatively get in touch via the following:

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