



BRIEFING

Transfer value experience - Q1 2024

We have analysed defined benefit (DB) cash equivalent transfer values (CETVs) over the twelve months to 31 March 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**).

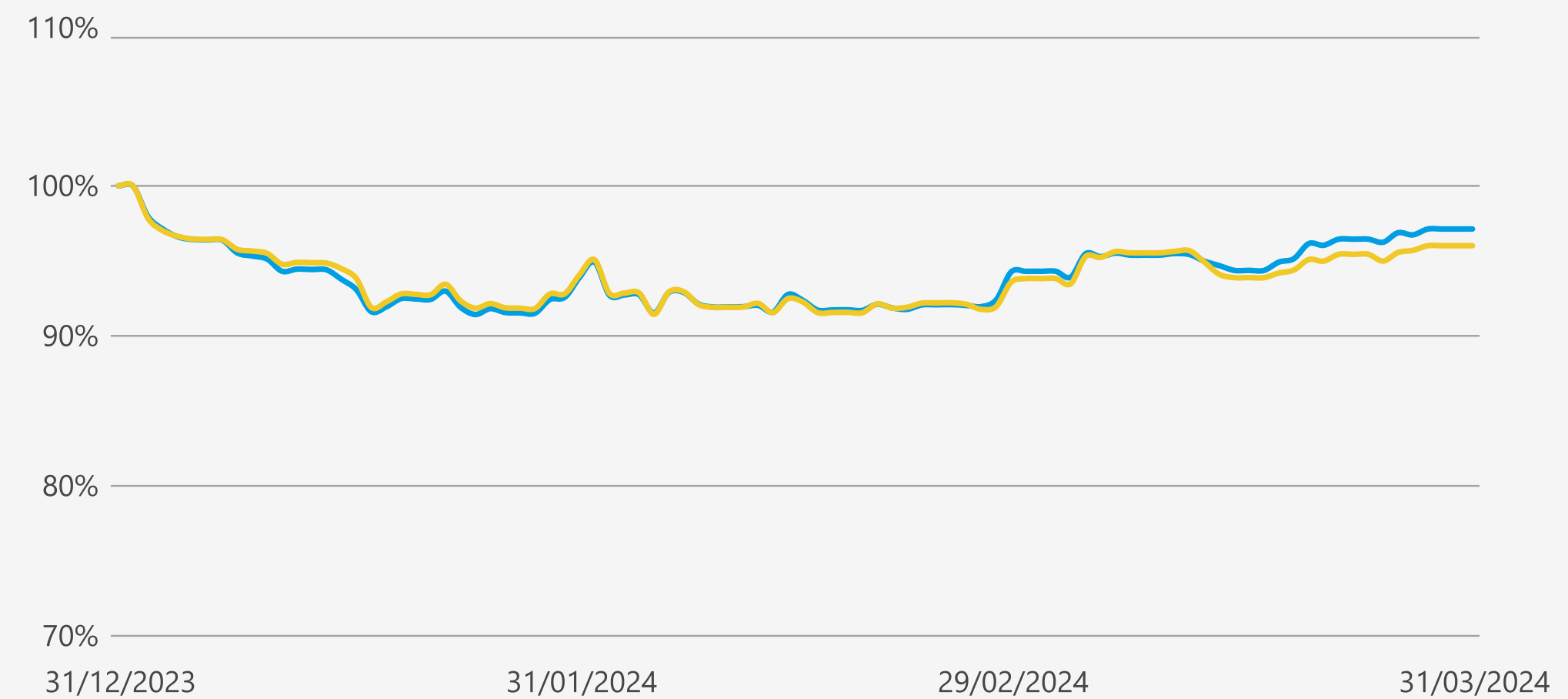
CHANGES IN CETV AMOUNTS

- A typical CETV for a 60-year-old decreased by around 11% for inflation linked increases and around 9% for fixed increases over the twelve months to 31 March 2024.
- Over the quarter to 31 March 2024, CETVs decreased by roughly 3% and 4% for inflation linked increases and fixed increases respectively, contributing to the yearly decrease.
- The yearly change chart illustrates that CETV amounts have remained volatile over the past twelve months (though much less so than over 2022). This volatility is primarily driven by changes in long-term gilt yields.

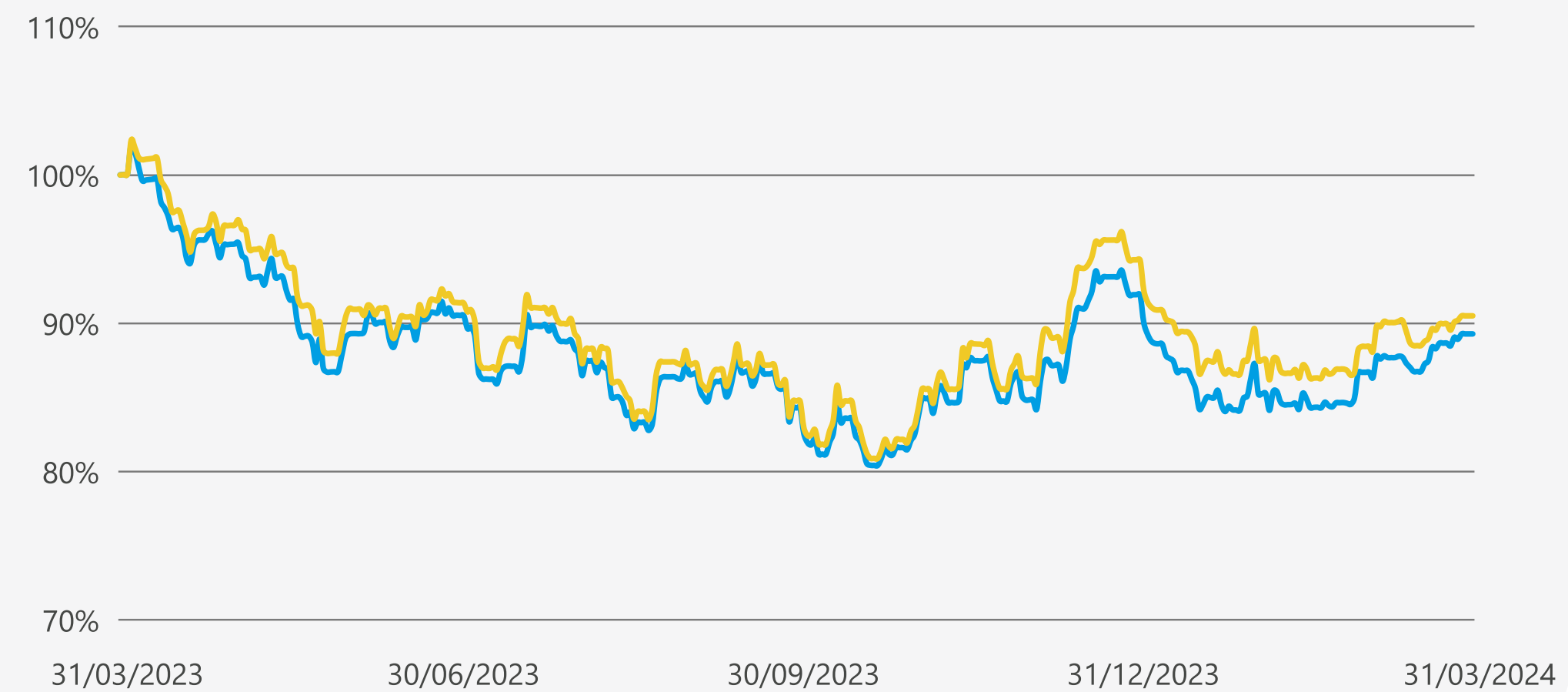
● Relative CETV for a 60 year old member with fixed pension increases

● 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

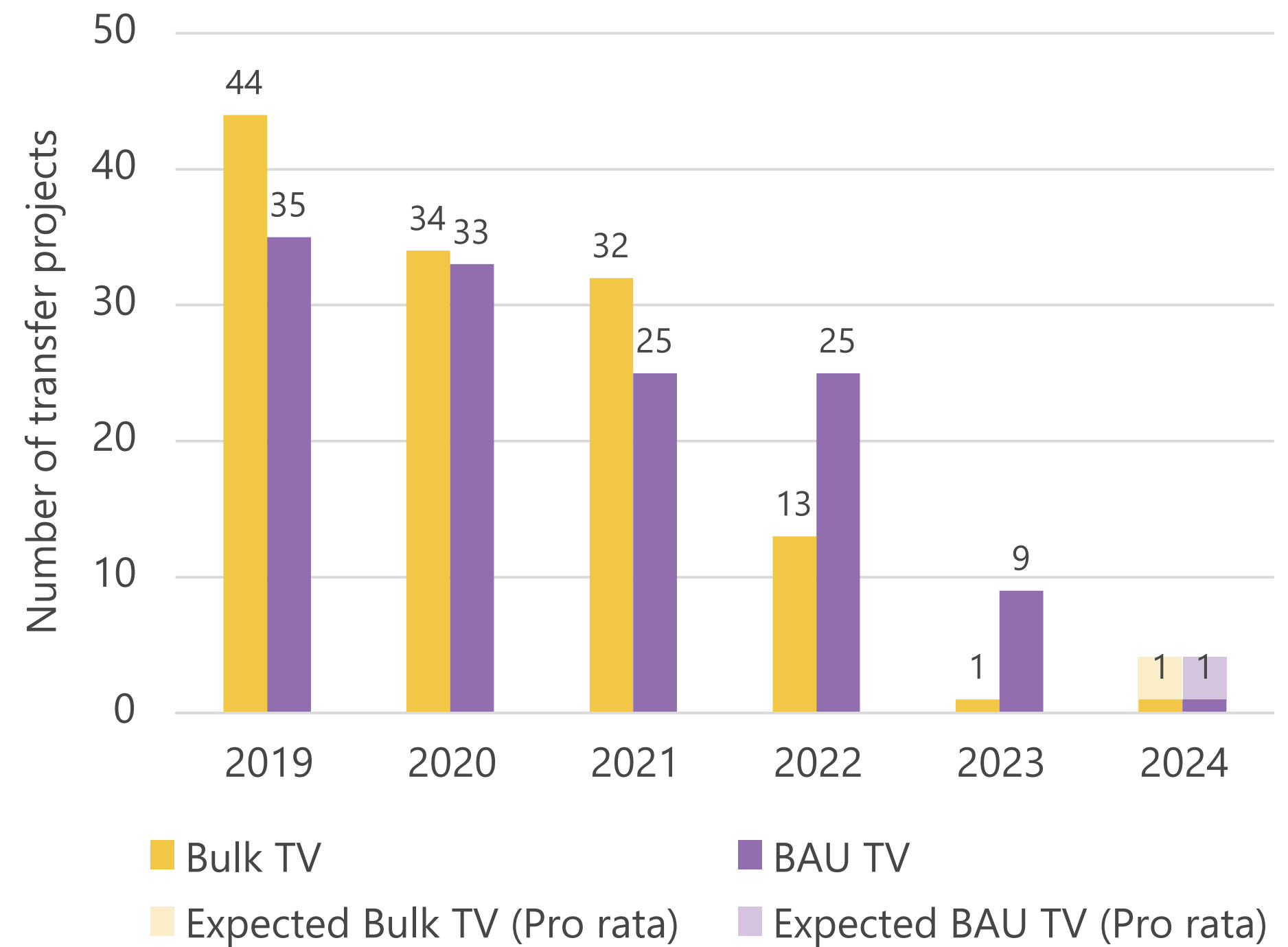
Following the introduction of the pension flexibilities in April 2015, schemes increasingly looked to support members with retirement and transfer decisions.

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 beginning of 2024, with only two projects coming to the market in the opening three 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 continues to be low at the moment by historical standards.

Our analysis shows an increase in the number of quotations requested over the quarter. The number of member requests was similar to that of a 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 has also remained at low levels by historical standards. However, for the second quarter in a row, the proportion of quotations accepted by members increased.



Latest CETV related news

- Recent speculation suggests that the government is reviewing the £30,000 advice threshold and could potentially raise it to £100K - meaning that members with a DB transfer of £100K or less would not be required to get financial advice before being able to transfer.
- With the abolition of the Lifetime Allowance from 6 April 2024, some members with large DB pensions may find that the tax consequences of a DB transfer are not as penal as they were when the Lifetime Allowance was in place, though this will be dependent on individual circumstances.
- 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, nonetheless 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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