



All change for DB transfers

Follow the money – where are members taking their transfer values?

2nd annual report on the destinations of DB transfers from LCP pensions administration clients

March 2021

- Pension schemes administered by LCP* paid out 1,682 DB transfers, totalling over £680m, during the past three calendar years. We've looked at where these transfers were paid and so, by extension, where financial advisers are advising their clients to take them. We looked at both the whole three-year period and also at the three calendar years separately to spot developing trends.
- DB transfers** paid out during the last three calendar years were:

	2018	2019	2020	Total
Number of transfers	683	561	438	1,682
Total transferred	£259m	£212m	£210m	£680m
Average transfer	£379,200	£377,900	£479,500	£404,400

*LCP currently provide pensions administration services for 86 DB pension scheme clients with around 33,800 non-pensioner members (ie those who are entitled to take a transfer).

**Figure excludes any transfers paid out in special exercises or bulk transfers. Amounts exclude any DC funds transferred (eg AVCs)

How we categorise the destinations

We split our analysis of transfer destinations into three main groups

Insurers

These are traditional insurance companies with generally high name awareness (eg Prudential, Aviva). Insurers typically provide access to a range of investment funds which they manage themselves, along with an investment platform with a range of funds managed by specialist investment managers.

Independent Platforms

These are investment platforms operated by independent firms who provide individuals and independent financial advisers with access to a range of funds managed by specialist investment managers, and charge a separate platform fee.

Vertically Integrated Advisers

These are wealth management firms which have significant financial adviser arms within the same overall organisation. These firms are therefore able to benefit financially from both the fees charged by the financial adviser at the advice stage and from ongoing investment management charges following the transfer.

Where the money went

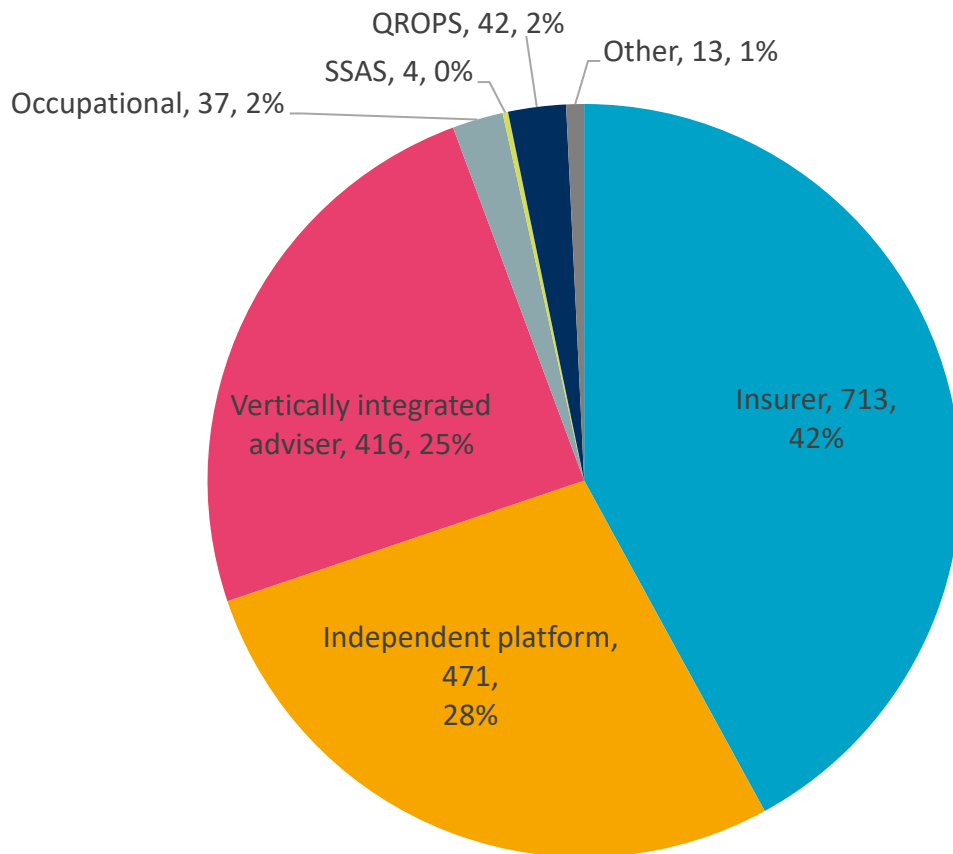
Key findings for the three-year period

- Over the whole 3-year period, the largest sector receiving transfers was traditional **insurers**, with **42%** of transfers going their way. These transfers were generally at the smaller end, with an average of just under **£310,000**, compared with an overall average of nearly **£405,000** for each transfer. The two insurers with the largest shares were **Royal London** and the **Prudential** with **10%** and **9%** of all transfer payments during the three years. Two other insurers each had around **6%** of the market, **Aegon** and **Aviva**.
- **28%** of all transfer payments went to **independent platforms**. These tended to be much larger transfers with an average of around **£545,000** per member, so this sector took the largest share of the market by total amount transferred. This is a more fragmented sector, with a substantial number of different firms providing this service – the largest **AJ Bell** received **6%** of transfers, while **Transact** had **4%** and **Nucleus** had **3%**.
- A quarter of all transfers went to **vertically integrated advisers**, with an average transfer value of **£440,000**. This is a more concentrated group. The largest firm in this sector were **St James Place**, with around **10%** of the total market. **Old Mutual Wealth (part of Quilter plc)** had **5%** and **True Potential** **4%**.
- The two other destination groups with material numbers of transfers were **occupational pension schemes**, with **2%** of transfers (generally smaller, with an average of **£150,000**) and overseas QROPS arrangements with **2.5%** of transfers (primarily to arrangements operated in Malta).

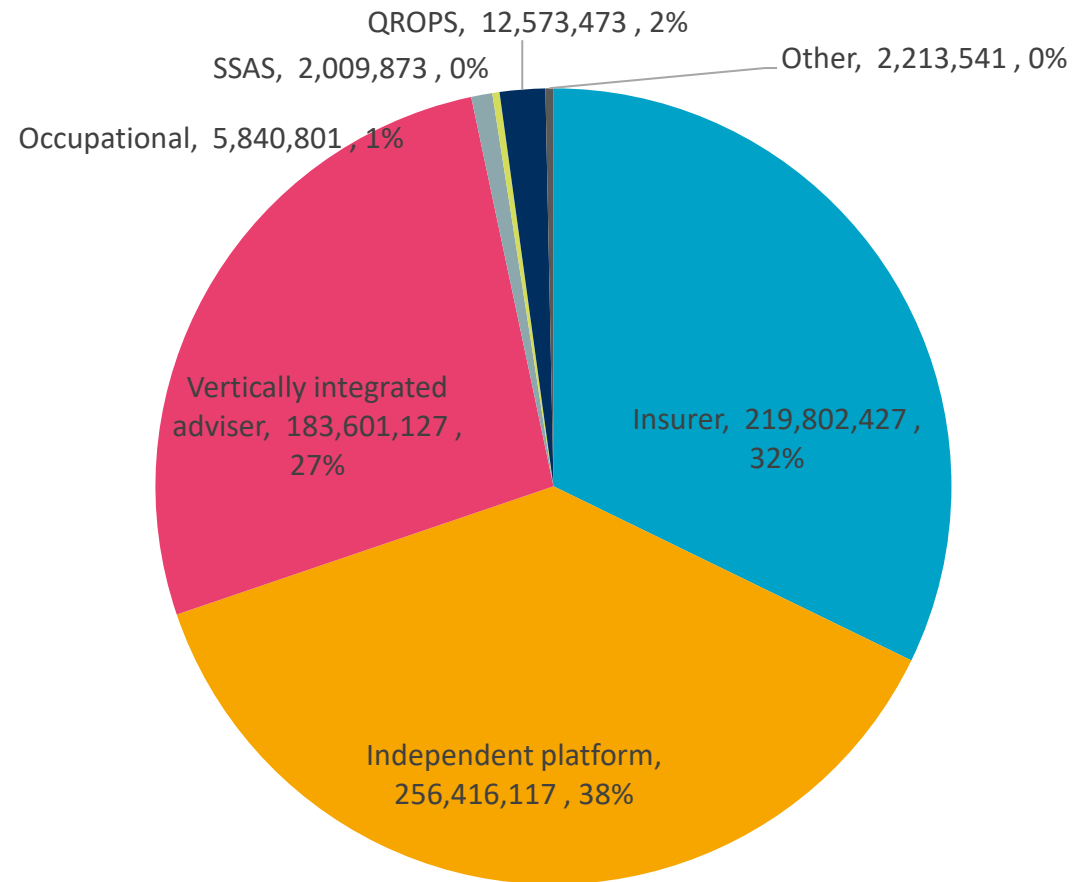
Where transfers are going

Numbers and amounts, split by main categories 2018 to 2020

Numbers of transfers



Transfers by Amount



Developing trends

Changes between years

- There was a significant fall off in transfer activity over the period, with around **20%** fewer transfers paid out in 2020 compared with 2019 (following a similar decline that year against 2018 numbers). However, the average transfer value increased substantially, by around **25%**, so the total amount transferred out was broadly the same.
- The decline in numbers was however not evenly spread between the sectors, nor within sectors.
- **Independent platforms** enjoyed market share rising from **23%** to **29%** and additionally saw their average transfer payment growing by nearly **35%** to **£695,000**. The relative position of **vertically integrated advisers** remained strong, with a similar share of transfers and a **32%** rise in the average transfer value. In contrast, the **insurers** sector's share of transfers fell from **48%** in 2019 to **38%** in 2020, with each of the four insurers that have more than **5%** of market share receiving reduced numbers of transfers. Not only this, but the average transfer value going to insurers remained virtually constant at around **£320,000** – despite **30%+** increases across the other sectors.

	Market share				Average transfer value			
	2018	2019	2020		2018	2019	2020	
Insurers	41%	48%	38%	▼	£290,000	£320,000	£320,000	▬
Independent platforms	31%	23%	29%	▲	£475,000	£520,000	£695,000	▲
Vertically integrated advisers	23%	26%	26%	▬	£425,000	£395,000	£520,000	▲
Others	5%	3%	7%	▲	£285,000	£135,000	£275,000	▲

Split by number	2018		2019		2020	
Insurer	278	40.7%	268	47.8%	167	38.1%
Independent platform	213	31.2%	129	23.0%	128	29.2%
Vertically integrated adviser	157	23.0%	144	25.7%	115	26.3%
Other	35	5.1%	20	3.6%	28	6.4%
Total	683	100%	561	100%	438	100.0%

Split by £ amount	2018		2019		2020	
Insurer	£81m	31.4%	£85m	40.1%	£53m	25.4%
Independent platform	£101m	39.0%	£67m	31.6%	£89m	42.3%
Vertically integrated adviser	£67m	25.8%	£57m	26.9%	£60m	28.6%
Other	£10m	3.9%	£3m	1.4%	£8m	3.7%
Total	£259m	100%	£212m	100%	£210m	100.0%

Average transfer value	2018	2019	2020
Insurer	£292,000	£318,000	£319,000
Independent platform	£473,000	£519,000	£693,000
Vertically integrated adviser	£425,000	£395,000	£522,000
Other	£287,000	£134,000	£275,000

Largest firms in each category

Detailed breakdown of numbers and amounts by year for firms with at least 3% of the market

Categorisation	2018					2019					2020				
	No.	% by number	£ amount	% by £ amount	Average amount	No	% by number	£ amount	% by £ amount	Average amount	No	% by number	£ amount	% by £ amount	Average amount
Insurers															
Aegon	36	5.3%	£8,910,605	3.4%	£247,500	36	6.4%	£15,776,417	7.4%	£438,200	25	5.7%	£8,879,609	4.2%	£355,200
Aviva	44	6.4%	£9,850,395	3.8%	£223,900	31	5.5%	£8,447,737	4.0%	£272,500	28	6.4%	£3,350,367	1.6%	£119,700
Prudential	50	7.3%	£12,332,012	4.8%	£246,700	69	12.3%	£24,309,464	11.5%	£352,300	24	5.5%	£8,971,109	4.3%	£373,800
Royal London	67	9.8%	£18,402,178	7.1%	£274,700	55	9.8%	£16,003,804	7.6%	£291,000	38	8.7%	£15,909,174	7.6%	£418,700
Standard Life	27	4.0%	£12,293,835	4.8%	£455,300	31	5.5%	£10,890,166	5.1%	£351,300	16	3.7%	£6,003,338	2.9%	£375,200
Independent Platforms															
AJ Bell	42	6.1%	£16,123,384	6.2%	£383,900	27	4.8%	£16,605,365	7.8%	£615,000	33	7.5%	£28,046,135	13.4%	£849,900
Nucleus	22	3.2%	£12,830,640	5.0%	£583,200	13	2.3%	£9,884,051	4.7%	£760,300	15	3.4%	£11,339,738	5.4%	£756,000
Transact	28	4.1%	£16,743,300	6.5%	£598,000	18	3.2%	£8,171,632	3.9%	£454,000	16	3.7%	£11,610,069	5.5%	£725,600
Vertically Integrated Advisors															
Old Mutual Wealth	43	6.3%	£12,917,331	5.0%	£300,400	32	5.7%	£10,821,656	5.1%	£338,200	16	3.7%	£6,407,762	3.1%	£400,500
St James' Place	60	8.8%	£32,455,752	12.5%	£540,900	53	9.4%	£23,966,923	11.3%	£452,200	56	12.8%	£34,791,345	16.6%	£621,300
True Potential	26	3.8%	£9,635,860	3.7%	£370,600	22	3.9%	£6,455,047	3.0%	£293,400	20	4.6%	£10,145,509	4.8%	£507,300

Winners and losers in 2020

Who coped with Covid best

- 2020 has been a massively challenging year in so many ways, and in the DB transfer market some providers fared much better than others.
- There were big winners in each of the three main sectors, with three of the largest firms consolidating their strong market positions:
 - Amongst **vertically integrated advisers** **St James Place** increased their market share dramatically, so that in 2020, for every **£6** transferred out of a DB pension scheme, **£1** went to **SJP**. Their market share of **16.6%** of all transferred amounts was twice that of the two next largest firms in this sector, **Old Mutual** and **True Potential** combined
 - In the **independent platforms** sector, **AJ Bell** similarly stepped up their share to over **13%** of all transferred amounts, to become the dominant firm in this sector. The average transfer payment taken to the **AJ Bell** platform was around **£850,000**, more than twice the average across all transfers.
 - Amongst **insurers**, only **Royal London** were able to maintain their market share, at around **7.5%** of all transferred amounts.

These three firms are now beginning to dominate this market, with **37.5%** of all transferred amounts going to them.

- The big losers were primarily other large **insurers**, with **Aegon**, **Aviva** and **Standard Life** all losing market share, and the **Prudential**, last year's largest insurer, suffering a huge fall of over **50%** in the numbers of transfers and total amount transferred out. Amongst **vertically integrated advisers**, **Old Mutual Wealth** lost a considerable amount of market share.

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