

# XPS Express for Employers

Bringing you the latest pensions news for employers

## Actions for employers as transfer activity takes off again



### At a glance

With the onset of COVID-19 we saw a sharp reduction in members leaving defined benefit pension schemes.

This trend has now reversed and is likely to continue since many people are facing increased financial challenges and health concerns.

For these members, accessing a pension pot may seem an attractive solution, but this makes them vulnerable to scams.

Some employers have come to rely on members taking up options like transfers to reduce pension cost and risk, and the pick-up in transfer activity we are now experiencing could help this.

However, this is only good news if the risk of members being scammed is mitigated.

It is now possible to identify if pension scheme members are vulnerable to scams, and use this to manage the risk when members leave.



### Identifying vulnerable members

Large scale public data can help us identify how vulnerable your membership is using measures of:



Health



Wealth



Tech savvy

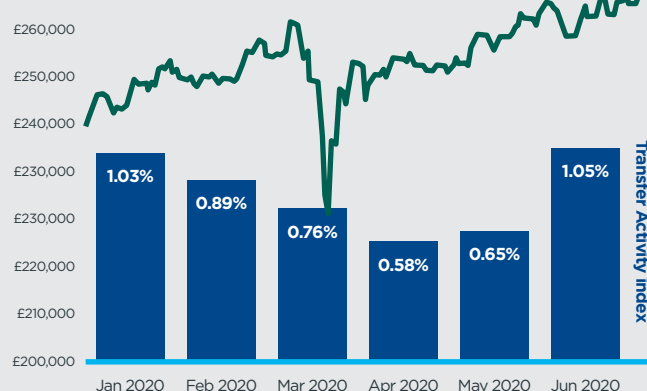
Your members may be more vulnerable to scams than you think.



### Transfer values and activity have increased

Transfer values have reached record highs in recent months, and activity has increased markedly following a slump in the immediate wake of the COVID-19 crisis.

Transfer Value index



Source: XPS Transfer Watch, July 2020

Note: Our Transfer Activity Index measures the percentage of eligible members who choose to transfer out of DB schemes that we administer. At the end of June 2020 this was 105 in every 10,000 members (1.05%).



### Actions employers can take

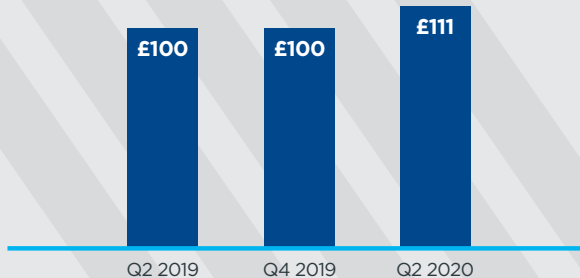
1. Analyse your pension scheme members to see if they are vulnerable to pension scams.
2. Tailor the channel and content of your communications to best reach and inform members on transfers and scams.
3. Put in place dedicated one-to-one anti-scam protection.
4. Provide members access to a reputable independent financial adviser.
5. Put in a place a low-cost, safe receiving vehicle for transfers.



# Accounting update

Companies reporting at 30 June 2020 are likely to have increased liabilities on their balance sheets due to a significant fall in corporate bond yields over the year, although the impact will be offset slightly by a fall in inflation expectations. Resulting balance sheet positions will then depend heavily on investment strategy, with schemes that have greater UK equity and property exposure likely faring significantly worse than others.

## Changes in value per £100m of accounting liabilities



Source: XPS Pensions Group

## Returns on key asset classes

	Jun 19 – Dec 19	Dec 19 – Jun 20	Year to Jun 20
<b>Global equities</b>	5.0%	0.7%	<b>5.7%</b>
<b>UK equities</b>	5.5%	-17.5%	<b>-13.0%</b>
<b>Property</b>	19.7%	-24.1%	<b>-9.1%</b>
<b>Index-linked gilts</b>	-1.4%	12.1%	<b>10.6%</b>
<b>Corporate bonds</b>	3.5%	2.9%	<b>6.5%</b>

Source: Thomson Reuters

## Where do your accounting assumptions sit?

Although accounting standards are generally consistent, we found wide ranges in the assumptions adopted by different companies at the same date.

We have recently published our 2020 accounting survey based on companies reporting at 31 December 2019. We have rolled forward the ranges using market movements to estimate the equivalent minimum, maximum and average assumptions that would have been seen at 30 June 2020. Where do your accounting assumption sit in this range?

If your accounting date is different from 30 June 2020, or if you would like to take a look at this in more detail, please get in touch with us to find out the relevant ranges for your scheme.

	Higher liabilities	Average assumption	Lower liabilities
<b>Discount rate</b>	1.4%	1.5%	1.8%
<b>RPI inflation</b>	3.3%	2.9%	2.6%
<b>CPI gap</b>	0.5%	0.9%	1.1%
<b>Life expectancy</b> (years from 65 for males currently aged 65)	25.2	22.0	18.2

For further information, please get in touch with **Vicky Mullins** or **Paul Hamilton** or speak to your usual XPS Pensions contact.



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