

A transfer value is the estimated cost to the Scheme of providing a member's future benefits. It is calculated using assumptions about future investment returns, inflation, how long a member will live and the level of dependants benefits. The assumptions are set by the Scheme Actuary and are based on financial market conditions at the date of calculation. Transfer values will vary month to month in response to changes in market conditions.

When market conditions suggest that future investment returns are likely to be low then transfer values will be high as a larger amount of money is required in order to provide for the amount of pension the member is giving up. Conversely when future investment returns are expected to be higher then a smaller amount of money is required.

For a long period after the Global Financial Crisis in 2008 the level of expected future investment returns were very low in large part due to the actions of Central Banks across the World to keep interest rates low and re-invigorate economies. As a result transfer values were high. With the emergence of inflation as economies moved out of the Covid era Central Banks have been raising interest rates and this in turn has elevated the level of likely future investment returns, reducing transfer values markedly.

The impact is significant – for example, a member age 55 will have seen their transfer value fall by around 40% between June 2022 and June 2023. Impacts could be larger depending on the age of the member in question and the date of previous quotations.

Whilst the fall in transfer values is significant, it is important to remember that **the annual pension amounts members have built up in the scheme are based service and final salary only - they are not linked to changes in market conditions.**

It is also important to recognize that the Trustees fiduciary duty is to protect the security of members benefits so if they allowed members to take transfer values that were too high this could have an adverse impact on the remaining members. The Trustees will continue to work with the Scheme Actuary and other advisors to protect the security of members benefits and as they have been doing will keep issues such as the setting of transfer value assumptions under review.