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## **VQ EXAMINERS' REPORT SEPTEMBER 2019**

The number of entries for this latest series of examinations was the highest for many years and was a significant increase on the figure for March 2019 (**827 v 753**), with **805** scripts actually being received. Entries were submitted for **456** candidates from **67** centres. Out of the **22** scripts which were not received from the original entries, **5** were withdrawals and **17** were absentees. These figures confirm the positive commitment to these examinations across the industry.

Of the scripts received, the highest figures were for **Retirements Part 1** and **Leavers Part 1** (**143** and **140**, respectively), closely followed by **Retirements Part 2** and **Leavers Part 2** (**136** and **130**, respectively). The lowest number of scripts received was for **Deaths** (**75** for **Deaths Part 1** and **65** for **Deaths Part 2**) with **Transfers** being somewhere in the middle with a nonetheless healthy showing compared to recent years (**116**).

For this series of examinations, the average pass rate across all units was slightly lower than March 2019 (**68% v 70%**), but very much in keeping with the average pass rate achieved in recent sittings. Indeed, but for a blip in March 2018, the average pass rate across all units has been in a relatively narrow range of **65% to 73%** since May 2012.

The high average pass rate achieved across the units therefore remains encouraging and once again demonstrates the high competency levels of many of the candidates. The Chief and Senior Examiners were pleased to note that there were instances of perfect papers in each of the seven units, with no errors recorded.

The Chief and Senior Examiners were very pleased to observe that candidates fared better than March 2019 in the Part 1 papers for **Deaths** and **Leavers** (**88% v 71%** for **Deaths Part 1** and **74% v 73%** for **Leavers Part 1**). Indeed, the pass rate for **Deaths Part 1** was one of highest in any unit for many years. Candidates were not quite as successful in the Part 2 papers (**66% v 68%** for **Retirements Part 2**, **75% v 87%** for **Deaths Part 2** and **72% v 76%** for **Leavers Part 2**). Although lower, the pass rate for **Transfers** was broadly similar to March 2019 (**58% v 59%**).

For **Leavers Part 1**, the standard of scripts was generally very good. The *Case Study* which caused most problems was the one relating to the *XYZ Pension and Life Assurance Scheme (Category A)*, where many candidates failed to deal with the revaluation of the GMP from the date of leaving to normal pension date in accordance with the prescribed method detailed in the appendices to the scheme booklet. Not for the first time, a number of candidates lost valuable marks by failing to state the actual revaluation factors (for both the GMP elements and the excess element).

When attempting the refund calculation on the first of the two *Case Studies* relating to the *RST Pension Scheme*, it was surprising how many candidates erroneously picked up the member contributions relating to the second *Case Study* instead. This was possibly because the *Case Studies* for Q1 and Q2 were both on the *RST Pension Scheme*, and so the second page of the first *Case Study* would have sat alongside the first page (with the contributions) of the second *Case Study*.

For the *Case Study* on the *XYZ Pension and Life Assurance Scheme (Category B)*, a number of candidates did not cap the pensionable service to 3 July 2011. In addition, some candidates failed to use the best pensionable salary figure in the last five years when performing the salary comparison check against the final pensionable salary revalued from 3 July 2011.

The *Letter* associated with the second of the two *Case Studies* for the *RST Pension Scheme* was usually well answered although quite a few candidates did not state the actual individual values (pre-2006 and post-2006) for either the pension at the date of leaving or the revalued pension at normal pension date.

Although **Leavers Part 2** was also well attempted by most candidates, some of those taking this particular unit again struggled with the revaluation of the post-1988 GMP element for the *Case Study* relating to the *XYZ Pension and Life Assurance Scheme (Category A)*, with the same common errors referred to for **Leavers Part 1** frequently being made.

With the *Case Study* relating to the *XYZ Pension and Life Assurance Scheme (Category B)*, some candidates again failed to compare the revalued final pensionable salary from 3 July 2011 with the best pensionable salary from the last five years. In addition, there were many candidates for whom the part-time service splits caused difficulties.

For the second of the two *Case Studies* on the *RST Pension Scheme*, a number of candidates did not recognise all of the available options and, further, when the preserved option was quoted a significant number of candidates (although making reference to AVCs) did not make reference to the fact that the AVCs would remain invested during the period of deferment. For the refund option, some candidates did not apply a 50% tax rate to the excess contributions over and above £20,000.

The *Letter* associated with the *Case Study* for the *XYZ Pension and Life Assurance Scheme (Category B)* was very well answered in most cases.

For this unit (as with **Leavers Part 1**), it was noticeable that quite a few candidates did not state the actual factors used within the calculations for many of the *Case Studies*. It should be stressed that, even if the final answer is accurate, such an omission results in lost marks as there is no way of knowing whether the correct factors (with the correct rounding to the correct number of decimal places in accordance with the *Tables of Factors*) have been used.

With **Retirements Part 1**, many candidates struggled with the *Case Study* on the *XYZ Pension and Life Assurance Scheme (Category A)* by basing the early retirement and commutation factors on an assumed age of 59 years and 1 month rather than 59 years exactly. For determining age, the period 5 August to 4 September does not constitute a full month (whereas it would have done for determining pensionable service).

For the *Case Study* on the *OPQ Retirement & Death Benefits Plan*, a few candidates quoted an 'Annuity only' option even though this was specifically not required. For this particular *Case Study*, a few candidates did not explain fully the tax position for the Uncrystallised Funds Pension Lump Sum (UFPLS) option. Further, the open market option was occasionally omitted by some candidates. These latter points are frequently commented upon in the Examiners' Report.

With the second of the two *Case Studies* relating to the *RST Pension Scheme*, many candidates correctly identified that the Underpin pension was higher than the CARE pension. However, the pre / post-2006 splits were not always provided for the Underpin pension. For this *Case Study* (which was ill-health), there were a few instances of actual pensionable service being used rather than potential pensionable service to the member's normal pension date.

**Retirements Part 2** had the lowest percentage pass rate across the seven units, which reflects the fact that this is historically always one of the most challenging papers. The *Case Study* which caused the greatest difficulty was the one relating to the first of the two *Case Studies* on the *RST Pension Scheme*

where candidates did not always tackle the AVC pension elements correctly (single life and joint life). This style of *Case Study* continues to trip up candidates despite the frequency of it being tested.

The other *Case Study* where candidates were prone to making errors was the second one associated with the *RST Pension Scheme*. A high proportion of candidates did not check to see whether the requested pension commencement lump sum (£150,000) was actually within the permitted maximum and, in addition, the enhanced accrual rate was not always included in the calculation of both the CARE pension and the Underpin pension.

For the *Case Study* relating to the *XYZ Pension and Life Assurance Scheme (Category B)*, there were a few candidates who included the augmentation pension when determining the spouse's pension (when it was clearly stated to be a single life benefit).

With the *Case Study* relating to the *XYZ Pension and Life Assurance Scheme (Category A)*, a number of candidates struggled with the late retirement calculation; with many failing to cap pensionable service and final pensionable salary to normal pension date or running into difficulties with the calculation and application of the member's part-time history.

Although the *Case Study* for the *OPQ Retirement & Death Benefits Plan* was usually well attempted, some candidates, when calculating the value of the member's Personal Retirement Account, merely provided the end answers rather than showing their workings in accordance with the requirements of the scheme booklet (particularly in terms of the rounding of units to four decimal places after multiplying the appropriate contributions by the lifestyle allocation percentages)

The *Letters* for both **Retirement** papers were generally very well answered, although for **Retirements Part 1** many candidates did not make reference to the differences in the pension increase rates to be applied before and after normal pension date (particularly with regards to the GMP). This related to the *Letter* for the *XYZ Retirement and Life Assurance Scheme (Category A)*.

Both **Death** papers were very well answered by most candidates and this was reflected in the high overall pass rates. For **Deaths Part 1**, candidates sometimes struggled with the *Case Study* for the *XYZ Pension and Life Assurance Scheme (Category B)* in so far as they carried out a salary comparison check when this is only ever required for death after normal pension date.

With the second of the two *Case Studies* relating to the *RST Pension Scheme*, a number of candidates calculated the potential pensionable service by looking at the period from the date of death to normal pension date rather than from 6 April 2019 to normal pension date.

Similarly to **Retirements Part 2**, a minority of candidates did not show their workings at all (or in accordance with the prescribed method detailed in the appendices to the scheme booklet) when attempting the *Case Study* relating to the *OPQ Retirement & Death Benefits Plan*.

Although **Deaths Part 2** was well answered by most candidates, there were a couple of *Case Studies* which caused more difficulties than others. The *Case Study* that resulted in most errors was the one associated with the *XYZ Pension and Life Assurance Scheme (Category A)* where a number of candidates failed to recognise that there should have been no pre-88 WGMP (as the deceased member was a female). In addition, some candidates used the best pensionable salary in the last five years in the calculation of the member's (and spouse's) pension rather than using the latest pensionable salary.

For the first of the two *Case Studies* relating to the *RST Pension Scheme*, quite a few candidates were confused with the different spouse percentage rates to be applied to the pre-2006 commuted pension either side of 1 January 2004. All of the requisite information to successfully perform the calculation was contained in the Special circumstances / additional information.

As with ***Deaths Part 1***, there were many candidates who insisted on carrying out a salary comparison for the *Case Study* relating to the *XYZ Pension and Life Assurance Scheme (Category B)* when this was not required.

The *Letters* for both ***Death*** papers were generally well answered by most candidates, with all of the required information being provided.

With ***Transfers***, many candidates (as in previous examination series) dropped marks when attempting the transfer out *Case Studies* for the *RST Pension Scheme* and the *XYZ Pension and Life Assurance Scheme (Category A)* by failing to state that independent financial advice needed to be provided by an authorised adviser regulated under the Financial Services and Markets Act 2000 (as the transfer values exceeded £30,000). Although this omission is always mentioned in the Examiners' Report, it continues to be overlooked by candidates.

For the transfer in *Case Study* for the *OPQ Retirement & Death Benefits Plan*, a few candidates only stated the end answers without showing their workings in accordance with the requirements set out in the scheme booklet. Where workings were shown, unit holdings after applying the relevant lifestyle investment allocation percentages (split by contribution type within fund) were not always rounded to four decimal places prior to multiplying by the appropriate unit prices.

With the transfer in *Case Study* for the *RST Pension Scheme*, a significant number of candidates miscalculated the member's age next birthday. The member was one day short of his 46<sup>th</sup> birthday at the quotation date but candidates often assumed that he had already reached his birthday.

The *Letters* were generally well answered for ***Transfers***, although there were a number of candidates who failed to provide the full range of benefits potentially payable on death for the second *Letter* relating to the transfer in of benefits to the *RST Pension Scheme*.

By highlighting the key areas where candidates fell short of the required standard, it is hoped that similar failings will be avoided in the next series of examinations. The final paragraphs below remain unaltered from the previous Examiners' Report since the comments are still apt and yet still get ignored in many instances.

The Chief and Senior Examiners would advise candidates:

- To clearly show their workings since arithmetical errors are penalised less harshly than errors where the cause cannot be easily identified.
- To summarise calculation results at the end of a question only when the various options available are not clear from the preceding calculations.
- To refrain from using a glossary either at the start of the paper or, especially, at the start of each question.
- To not leave the *Letters* until last as more errors are incurred for an incomplete *Letter* than an incomplete *Case Study*.

The Chief and Senior Examiners would remind centres and candidates that **papers will not be marked** in any of the following circumstances:

- Where a candidate's personal 'candidate number' is missing or incorrect.
- Where a candidate's name appears anywhere on the answer script (e.g. letters signed with a name other than AN Other).
- Where a centre has been proven to have followed incorrect formal procedures relating to the examinations.

The Chief and Senior Examiners also reserve the right not to mark a script where a candidate fails to follow the instructions printed on the front of the examination paper and whose action causes difficulties with the marking process. **For example, in this series of examinations it was noticeable that a number of candidates did NOT start each new question on a fresh page, even though this is specifically stated as a requirement on the covering page of each examination paper.**

The Chief and Senior Examiners continue to believe that preparation and training are the keys to success. Many candidates are fortunate to receive training organised by their centres. However, we would emphasise the necessity for training material to be kept up to date and accurate.

*On a final point, centres should be aware that there will be NO specific scheme changes for the next series of examinations in March 2020. All of the Booklets were amended in readiness for the September 2019 and March 2020 examinations by ensuring the examples and appendices were fully up to date from a practical and legislative perspective.*

## THE STATISTICS

There were **827** entries by **456** candidates from **67** Centres. There were some absences and withdrawals leading to **805** scripts being submitted. The table below shows the number of entries for each unit, the number of scripts submitted and the pass rate.

Unit	Entries	Withdrawn	Absent	Scripts received	Pass	Fail	Success rate
Retirements Part 1	147	0	4	143	95	48	66%
Retirements Part 2	138	0	2	136	73	63	54%
Deaths Part 1	77	0	2	75	66	9	88%
Deaths Part 2	66	0	1	65	49	16	75%
Leavers Part 1	146	2	4	140	103	37	74%
Leavers Part 2	135	2	3	130	93	37	72%
Transfers	118	1	1	116	67	49	58%
<b>TOTAL</b>	<b>827</b>	<b>5</b>	<b>17</b>	<b>805</b>	<b>546</b>	<b>259</b>	<b>68%</b>

## COMMON ERRORS WHERE CANDIDATES FAILED TO MEET THE STANDARDS

### LEAVERS: PART 1

#### Qu.1 – (RST)

- Refund option sometimes omitted
- Contributions for refund option occasionally taken from Q2 rather than Q1 (both RST case studies)
- Statement that pension all post-2006 not always mentioned
- Year to date CARE pension sometimes incorrect by one month (or entire pensionable service occasionally used)
- Factor for revaluation from date of leaving to normal pension date not always stated

#### Qu.2 – (RST)

- Underpin pension not always calculated as being higher than CARE pension (e.g. contractual salary not always used)
- Underpin pension occasionally not split out for pre-2006 and post-2006 elements (neither at date of leaving nor normal pension date)
- Factor for revaluation from date of leaving to normal pension date not always stated

#### Qu.3 – (OPQ)

- Date of last switch (i.e. first day of the month) not always correct for determining lifestyle investment allocation percentages
- Number of complete months from date of last switch to target retirement date sometimes calculated incorrectly even when correct start and end dates stated
- Unit holdings after applying relevant lifestyle investment allocation percentages (split by contribution type within fund) not always rounded to 4 decimal places – or even shown – prior to multiplying by relevant unit prices

#### Qu.4 – (XYZ: Category A)

- Final pensionable salary not always clearly stated as being based on best pensionable salary in previous 5 years
- Factor for GMP revaluation from date of leaving to 'GMP due date' (i.e. normal pension date since male member) occasionally not stated (or stated but not always rounded to 3 decimal places in accordance with the Tables of Factors)
- GMP rarely revalued from date of leaving to 'GMP due date' in accordance with statutory method detailed in appendices of XYZ Scheme booklet (i.e. Total revalued GMP less post-1988 revalued GMP = pre-1988 revalued GMP)
- GMP elements not always rounded to be divisible by 52
- Factor for excess revaluation from date of leaving to normal pension date occasionally not stated (or stated but not rounded to 5 decimal places in accordance with the Tables of Factors)
- Number of complete years for excess revaluation from date of leaving to normal pension date occasionally incorrect

#### Qu.5 – (XYZ: Category B)

- Pensionable service sometimes not capped to 3 July 2011
- Final pensionable salary not always based on best pensionable salary in previous 5 years (prior to making comparison with final pensionable salary at 3 July 2011 indexed to date of leaving)
- Factor for excess revaluation from date of leaving to normal pension date occasionally not stated

#### Qu.6 – (Letter for Qu.2)

- Mention of assumed revaluation rate in calculation of 2.5% from date of leaving to normal pension date sometimes omitted (although true revaluation rate of lower of 5% / CPI usually stated)
- Death after retirement benefits not always stated (particularly lump sum death benefit on death within 5 years of retirement)
- Post retirement increases frequently stated as being at lower of 2.5% / RPI (with no reference to pre-2006 and post-2006 differences)

### **LEAVERS: PART 2**

#### Qu.1 – (XYZ: Category A)

- Final pensionable salary sometimes based on latest pensionable salary rather than best pensionable salary in previous 5 years
- GMP not always revalued from date of leaving to 'GMP due date' (i.e. normal pension date since male member) in accordance with statutory method detailed in appendices of XYZ Scheme booklet
- GMP elements not always rounded to be divisible by 52
- Factor for excess revaluation from date of leaving to normal pension date occasionally not stated (or stated but not rounded to 5 decimal places in accordance with the Tables of Factors)

#### Qu.2 – (OPQ)

- Arithmetical errors occasionally made when applying unit prices to unit holdings

#### Qu.3 – (XYZ: Category B)

- Pensionable service sometimes not capped to 3 July 2011
- Part-time service split of days not always correct (e.g. each split typically either one day too high or one day too low)
- Factor for excess revaluation from date of leaving to normal pension date occasionally not stated
- Transfer option sometimes omitted

#### Qu.4 – (RST)

- Augmentation pension occasionally included in calculation of both CARE pension and Underpin pension (when specifically instructed to be ignored for both calculations)
- Underpin pension not always calculated as being higher than CARE pension
- Underpin pension occasionally not split out for pre-2006 and post-2006 elements (neither at date of leaving nor normal pension date)
- Factor for revaluation from date of leaving to normal pension date not always stated

#### Qu.5 – (RST)

- Refund option sometimes omitted (with only preserved option being calculated)
- Preserved option sometimes omitted (with only refund option being calculated)
- Statement that pension all post-2006 not always mentioned
- AVCs not always mentioned as being additional to pension at date of leaving (if preserved option taken) – or AVC value not always stated
- Reference not often made to AVCs remaining invested (if preserved option taken)
- Tax treatment of refund sometimes incorrect (i.e. no consideration of tax rate of 50% for contributions over and above £20,000)



#### Qu.6 – (Letter for Qu.3)

- Mention of assumed revaluation rate in calculation of 5% from date of leaving to normal pension date sometimes omitted (although true revaluation rate of lower of 5% / RPI usually stated)
- Actual value for spouse's pension at date of leaving sometimes omitted
- Actual value for spouse's pension at date of leaving revalued to normal pension date sometimes omitted
- Reference to refund of contributions on death before retirement occasionally mentioned (even though XYZ: Category B is non-contributory)

### **DEATHS: PART 1**

#### Qu.1 – (XYZ: Category B)

- Highest pensionable salary in last 5 years often compared against indexed final pensionable salary from 3 July 2011 (when latest pensionable salary figure should have been used)
- Pensionable service occasionally not capped to 3 July 2011

#### Qu.2 – (RST)

- Young spouse reduction occasionally not applied (but generally correct when applied)

#### Qu.3 – (XYZ: Category A)

- Number of instalments sometimes calculated incorrectly for balance of payments for lump sum death benefit (even when start and end dates correct)
- Splits for excess and WGMP elements of spouse's pension occasionally not calculated (or calculated but spouse's WGMP values not always divisible by 52)

#### Qu.4 – (OPQ)

- Start date for calculating complete months from last switch date to target retirement date sometimes based on date of death rather than first day of month of death
- Unit holdings after applying relevant lifestyle investment allocation percentages (split by contribution type within fund) not always rounded to 4 decimal places – or even shown – prior to multiplying by relevant unit prices
- Recipient of lump sum death benefit sometimes stated as being at discretion of trustees when reference should have been made to lump sum death benefit being paid to deceased member's legal personal representatives / estate

#### Qu.5 – (RST)

- Potential service not always included in calculation of either CARE pension or Underpin pension (or included, but not for both calculations)
- Potential service occasionally calculated from date of death to normal pension date rather than from 6 April 2019 to normal pension date

#### Qu.6 – (Letter for Qu.4)

- Request often made for birth / marriage certificates and bank details when not required for OPQ Plan (as no pension benefit available and lump sum death benefit paid to deceased member's legal personal representatives / estate)
- Recipient of lump sum death benefit sometimes stated as being at discretion of trustees when reference should have been made to lump sum death benefit being paid to deceased member's legal personal representatives / estate

## **DEATHS: PART 2**

### **Qu.1 – (RST)**

- Number of instalments sometimes calculated incorrectly for balance of payments for lump sum death benefit (normally by one month)
- Young spouse reduction occasionally not applied (but generally correct when applied)
- Confusion sometimes encountered with pre-2006 commuted pension having different spouse percentage rates for pensionable service either side of 1 January 2004

### **Qu.2 – (RST)**

- Spouse's pension occasionally calculated when not applicable for death-in-deferment
- Current value of AVCs sometimes refunded rather than AVCs paid

### **Qu.3 – (OPQ)**

- Start date for calculating complete months from last switch date to target retirement date sometimes based on date of death rather than first day of month of death
- Unit holdings after applying relevant lifestyle investment allocation percentages (split by contribution type within fund) not always rounded to 4 decimal places – or even shown – prior to multiplying by relevant unit prices
- Confusion sometimes experienced with transferred-in benefits being in non-lifestyle funds (compared to member / employer benefits being in lifestyle funds)

### **Qu.4 – (XYZ: Category A)**

- Highest pensionable salary in last 5 years prior to normal pension date not always used (e.g. latest pensionable salary sometimes used or pensionable salary at date of death sometimes used)
- Pensionable service splits for enhanced accrual sometimes miscalculated (often by one day too much or by one day too little for first and last service splits)
- Contracted-out check occasionally omitted or not fully explained
- Splits for excess and post-1988 WGMP elements of spouse's pension occasionally not calculated (or calculated but with spouse's post-1988 WGMP not always divisible by 52)
- Spouse's pre-1988 WGMP often calculated when not applicable (since deceased member is female)

### **Qu.5 – (XYZ: Category B)**

- Highest pensionable salary in last 5 years often compared against indexed final pensionable salary from 3 July 2011 (when latest pensionable salary figure should have been used)
- Pensionable service occasionally not capped to 3 July 2011
- Pensionable service splits for part-time service sometimes miscalculated (often by one day too much or by one day too little)
- Part-time rates occasionally applied incorrectly (or transcribed incorrectly)

### **Qu.6 – (Letter for Qu.1)**

- Enhanced percentage for spouse's pension sometimes omitted
- Young spouse reduction not always stated

## **RETIREMENTS: PART 1**

### Qu.1 – (XYZ: Category A)

- Commutation factor and early retirement factor frequently based on incorrect age (i.e. 59 years and 1 month rather than 59 years)
- Early retirement factor occasionally omitted
- Contracted-out check not always based on pension after applying early retirement factor
- Check to determine if residual pension exceeds GMP occasionally omitted or inadequately explained

### Qu.2 – (RST)

- Splits not always provided for pre / post-2006 elements of residual pension
- Spouse's post-commutation pension occasionally not stated
- Potential young spouse reduction (based on member's current marital status) sometimes stated as being applicable when age differential slightly less than 10 years

### Qu.3 – (OPQ)

- Annuity only option sometimes provided even though requirement for tax-free cash specifically requested
- 25% of Personal Retirement Account occasionally taken as tax-free cash (even though case study specifically stated 15% should be taken)
- Spouse's annuity values not always quoted when calculating member's joint life annuity options
- Annuity bureau charge not always included in LTA calculation
- Taxable element of UFPLS often not stated as being taxed at member's marginal rate (or not stated as being paid assuming an emergency code on a month 1 basis)
- Mention of open market option sometimes omitted

### Qu.4 – (XYZ: Category B)

- OK

### Qu.5 – (RST)

- Pensionable service sometimes based on date of actual retirement rather than being projected to normal pension date (since ill health)
- Early retirement factor occasionally applied (even though ill health)
- Spouse's pension sometimes based on CARE pension rather than higher Underpin pension
- Splits not always provided for pre / post-2006 elements of residual pension
- Spouse's post-commutation pension occasionally not stated

### Qu.6 – (Letter for Qu.1)

- Increase rates often not split out to detail position before / after normal pension date (e.g. increase basis before normal pension date often assumed to be same as increase basis after normal pension date)
- Post retirement increases for post-1988 GMP from normal pension date sometimes stated as being at lower of 3.0% / RPI (rather than lower of 3.0% / CPI)
- Increases above 3% for post-1988 GMP occasionally stated erroneously as being paid by the State as part of member's State Pension

## **RETIREMENTS: PART 2**

### **Qu.1 – (XYZ: Category B)**

- Augmentation pension occasionally revalued in calculation to normal pension date (when amount of augmentation already revalued to normal pension date)
- Augmentation pension sometimes included in calculation of spouse's pension (when single life)

### **Qu.2 – (OPQ)**

- Start date for calculating complete months from last switch date to target retirement date sometimes based on date of retirement rather than first day of month of retirement
- Unit holdings after applying relevant lifestyle investment allocation percentages (split by contribution type within fund) not always rounded to 4 decimal places – or even shown – prior to multiplying by relevant unit prices
- Spouse's annuity values not always quoted when calculating member's joint life annuity options
- Annuity bureau charge not always included in LTA calculation
- Taxable element of UFPLS often not stated as being taxed at member's marginal rate (or not stated as being paid assuming an emergency code on a month 1 basis)
- Mention of open market option sometimes omitted

### **Qu.3 – (RST)**

- Pensionable service sometimes based on date of actual retirement rather than being projected to normal pension date (since ill health)
- Early retirement factor occasionally applied (even though ill health)
- Splits not always provided for pre / post-2006 residual pension
- Joint life AVC pension and / or single life AVC pension sometimes dealt with incorrectly
- LTA percentage used not always combined for scheme pension and AVC pension
- Spouse's pension not always calculated correctly for joint life and single life AVC options
- Spouse's post-commutation pension occasionally not stated

### **Qu.4 – (XYZ: Category A)**

- Pensionable service occasionally calculated to actual date of late retirement rather than being capped to normal pension date
- Late retirement factor (when applied) not always rounded to nearest integer
- Pensionable service splits for part-time service sometimes miscalculated (often by one day too much or by one day too little)
- Contracted-out check not always based on pension after applying late retirement factor
- Check to determine if residual pension exceeds GMP occasionally omitted

### **Qu.5 – (RST)**

- Enhanced accrual rate not always incorporated within both CARE pension calculation and Underpin pension calculation
- Check to ensure requested tax-free cash sum of £150,000 within permitted maximum sometimes omitted
- Splits not always provided for pre / post-2006 elements of residual pension
- Potential young spouse reduction (based on member's current marital status) sometimes not stated

### **Qu.6 – (Letter for Qu.5)**

- Mention of enhanced member accrual rate for post-2006 pensionable service sometimes omitted
- Mention of enhanced spouse percentage for post-2006 pensionable service sometimes omitted

## **TRANSFERS**

### Qu.1 – (RST)

- Statement not always provided for requirement to take independent financial advice from an authorised adviser regulated under Financial Services and Markets Act 2000 if transferring to an arrangement where benefits can be accessed flexibly (as transfer value exceeds £30,000) or – more commonly – statement provided but without specific reference to requirement for adviser to be regulated under Financial Services and Markets Act 2000

### Qu.2 – (OPQ)

- Transcription errors occasionally encountered when setting out unit prices and unit holdings
- Arithmetical errors frequently made when applying unit prices to unit holdings

### Qu.3 – (XYZ)

- Statement not always provided for requirement to take independent financial advice from an authorised adviser regulated under Financial Services and Markets Act 2000 if transferring to an arrangement where benefits can be accessed flexibly (as transfer value exceeds £30,000) or – more commonly – statement provided but without specific reference to requirement for adviser to be regulated under Financial Services and Markets Act 2000

### Qu.4 – (RST)

- Age next birthday often wrong (usually because candidates failed to recognise member was one day short of a birthday)
- Adjusted transfer value occasionally calculated by multiplying transfer value by MVA factor (rather than dividing by MVA factor)
- Full list of attaching benefits (where provided) not always accurate (e.g. no spouse's pension exists on death-in-deferment)

### Qu.5 – (OPQ)

- Number of months to TRD occasionally incorrect when determining fund allocation percentages within Lifestyle Fund.
- Value of contributions after applying relevant investment allocation percentages (split by contribution type within fund) not always rounded to 4 decimal places prior to dividing by relevant unit prices
- Value of contributions after applying relevant investment allocation percentages (split by contribution type within fund) sometimes not shown at all – just end results displayed after multiplying by relevant investment allocation percentages and dividing by relevant unit prices
- Confusion sometimes encountered with mixture of lifestyle and non-lifestyle funds

### Qu.6 – (XYZ)

- Full list of attaching benefits not always accurate (e.g. no mention of lump sum death benefit on death after retirement or no clear indication that refund only payable on death before retirement)

### Qu.7 – (Letter for Qu.3)

- Mention of benefits no longer remaining in ceding scheme (should transfer proceed) not always stated
- Mention that financial advice cannot be provided sometimes omitted

### Qu.8 – (Letter for Qu.4)

- Full list of attaching benefits on death not always provided
- Mention of 3 month guarantee period (should transfer in proceed) not always stated

## SUMMARY OF WORKED ANSWERS

### Leavers Part 1 – Question 1

#### Calculation

- (1) Net refund of **£2,536.80**

**OR**

- (2) Preserved pension at date of leaving of **£575.93 p.a.** {v Underpin pension of **£566.67 p.a.**} (all post-2006) which, when revalued to NPD, would result in a pension of **£793.93 p.a.** (all post-2006 – assuming increases of 2.5% per annum compound)

Spouse's pension on death after retirement of **£230.37 p.a.** (all post-2006 – based on member's pension at DOL) which, when revalued to NPD, would result in a pension of **£317.57 p.a.** (all post-2006 – based on member's pension at DOL revalued to NPD assuming increases of 2.5% per annum compound)

**OR**

- (3) Transfer value to another pension arrangement

### Leavers Part 1 – Question 2

#### Calculation

- (1) Preserved pension at date of leaving of **£7,496.67 p.a.** {v CARE pension of **£7,429.84 p.a.**} (pre-2006 = **£520.00 p.a.** and post-2006 = **£6,976.67 p.a.**) which, when revalued to NPD, would result in a pension of **£14,245.84 p.a.** (pre-2006 = **£988.15 p.a.** and post-2006 = **£13,257.69 p.a.** – assuming increases of 2.5% per annum compound)

Spouse's pension on death after retirement of **£2,998.67 p.a.** (pre-2006 = **£208.00 p.a.** and post-2006 = **£2,790.67 p.a.** – based on member's pension at DOL) which, when revalued to NPD would result in a pension of **£5,698.34 p.a.** (pre-2006 = **£395.26 p.a.** and post-2006 = **£5,303.08 p.a.** – based on member's pension at DOL revalued to NPD assuming increases of 2.5% per annum compound)

**OR**

- (2) Transfer value to another pension arrangement

**Letter: Question 6 – (Relating to Question 2)**

- (1) Date of leaving:
  - **06/09/2019**
- (2) Preserved pension at date of leaving:
  - Total = **£7,496.67 p.a.** *which is split as follows:*
  - Pre-2006 = **£520.00 p.a.**
  - Post-2006 = **£6,796.67 p.a.**
- (3) Member's NPD:
  - **12/01/2046 (or specify NPD is age 65)**
- (4) Revaluation rate to NPD:
  - Pre/post-2006 revaluation from DOL to NPD = **lower of 5.0% / CPI**
- (5) Pension at NPD:
  - Total = **£14,245.84 p.a.**, *which is split as follows:*
  - Pre-2006 = **£988.15 p.a.**
  - Post-2006 = **£13,257.69 p.a.**
- (6) Mention tax-free cash sum option on retirement
- (7) Death before retirement:
  - Refund of contributions = **£37,512.51**
- (8) Death after retirement:
  - Spouse's pension = **£2,998.67 p.a.** *{based on member's pension at DOL} which, when revalued to NPD, would result in a pension of **£5,698.34 p.a.** {based on member's pension at DOL revalued to NPD assuming increases of 2.5% per annum compound}}*
  - LSDB (**provided death occurs within 5 years of retirement**)
- (9) Post retirement increases
  - Pre-2006 (**lower of 5.0% / RPI**)
  - Post-2006 (**lower of 2.5% / RPI**)
- (10) Mention transfer option

**Leavers Part 1 – Question 3**

**Calculation**

- (1) Preserved benefit of **£133,088.39**  
  
**OR**
- (2) Transfer value to another pension arrangement

### **Leavers Part 1 – Question 4**

#### **Calculation**

- (1) Preserved pension at date of leaving of **£14,326.03 p.a.** (excess over GMP = **£12,330.27 p.a.**, pre-1988 GMP = **£231.40 p.a.** and post-1988 GMP = **£1,764.36 p.a.**) which, when revalued to NPD, could result in a maximum pension of **£19,888.56 p.a.** (excess over GMP = **£17,349.92 p.a.**, pre-1988 GMP = **£294.32 p.a.** and post-1988 GMP = **£2,244.32 p.a.**)

Spouse's pension on death before / after retirement of **£7,163.02 p.a.** (*based on member's pension at DOL*) which, when revalued to NPD, could result in a maximum pension of **£9,944.28 p.a.** (*based on member's pension at DOL revalued to NPD*)

**OR**

- (2) Transfer value to another pension arrangement

### **Leavers Part 1 – Question 5**

#### **Calculation**

- (1) Preserved pension at date of leaving of **£8,248.01 p.a.** which, when revalued to NPD, could result in a maximum pension of **£20,842.31 p.a.**

Spouse's pension on death before / after retirement of **£4,124.01 p.a.** (*based on member's pension at DOL*) which, when revalued to NPD, could result in a maximum pension of **£10,421.16 p.a.** (*based on member's pension at DOL revalued to NPD*)

**OR**

- (2) Transfer value to another pension arrangement

### **Leavers Part 2 – Question 1**

#### **Calculation**

- (1) Preserved pension at date of leaving of **£16,846.20 p.a.** (excess over GMP = **£15,272.68 p.a.** and post-1988 GMP = **£1,573.52 p.a.**) which, when revalued to NPD, could result in a maximum pension of **£37,829.93 p.a.** (excess over GMP = **£35,005.29 p.a.** and post-1988 GMP = **£2,824.64 p.a.**)

Spouse's pension on death before / after retirement of **£8,423.10 p.a.** (*based on member's pension at DOL*) which, when revalued to NPD, could result in a maximum pension of **£18,914.97 p.a.** (*based on member's pension at DOL revalued to NPD*)

**OR**

- (2) Transfer value to another pension arrangement



## **Leavers Part 2 – Question 2**

### **Calculation**

- (1) Preserved benefit of **£105,776.87** (including transfer in = **£25,008.20**)

**OR**

- (2) Transfer value to another pension arrangement

## **Leavers Part 2 – Question 3**

### **Calculation**

- (1) Preserved pension at date of leaving of **£7,574.95 p.a.** which, when revalued to NPD, could result in a maximum pension of **£29,694.79 p.a.**

Spouse's pension on death before / after retirement of **£3,787.48 p.a.** (*based on member's pension at DOL*) which, when revalued to NPD, could result in a maximum pension of **£14,847.40 p.a.** (*based on member's pension at DOL revalued to NPD*)

**OR**

- (2) Transfer value to another pension arrangement

## **Letter: Question 6 – (Relating to Question 3)**

- (1) Date of leaving:
  - **10/09/2019**
- (2) Preserved pension at date of leaving:
  - Total (all excess) = **£7,574.95 p.a.**
- (3) Member's NPD:
  - **17/09/2047 (or specify NPD is age 65)**
- (4) Must mention member's part-time service
- (5) Revaluation rate to NPD:
  - Excess revaluation from DOL to NPD = **lower of 5.0% / RPI**
- (6) Pension at NPD:
  - Total (all excess) = **£29,694.79 p.a.**
- (7) Must mention tax-free cash sum option on retirement
- (8) Death before retirement:
  - Spouse's pension = **£3,787.48 p.a. at DOL, revalued to DOD**
  - NO refund of contributions (**Non-contributory**)
- (9) Death after retirement:
  - Spouse's pension = **£3,787.48 p.a. at DOL, revalued to max £14,847.40 p.a. at NPD**
  - LSDB (**provided death occurs within 5 years of retirement**)
- (10) Post retirement increases:
  - Total pension = **lower of 5.0% / RPI**
- (11) Must mention transfer option

## **Leavers Part 2 – Question 4**

### **Calculation**

- (1) Preserved pension at date of leaving of **£5,500.00 p.a.** {v CARE pension of **£4,911.15 p.a.**} (pre-2006 = **£720.00 p.a.** and post-2006 = **£4,830.00 p.a.**) plus an augmented post-2006 CARE pension of **£3,049.77 p.a.** (total pension at date of leaving = **£8,549.77 p.a.**) which, when revalued to NPD, would result in a pension of **£12,151.22 p.a.** (pre-2006 = **£1,017.34 p.a.**, post-2006 = **£6,824.65 p.a.** and augmented post-2006 = **4,309.23 p.a.** – assuming increases of 2.5% per annum compound)

Spouse's pension on death after retirement of **£2,220.00 p.a.** (pre-2006 = **£288.00 p.a.** and post-2006 = **£1,932.00 p.a.** – based on member's pension at DOL) plus an augmented post-2006 CARE pension of **£1,219.91 p.a.** (total pension at date of leaving = **£3,439.91 p.a.**) which, when revalued to NPD would result in a pension of **£4,860.49 p.a.** (pre-2006 = **£406.94 p.a.**, post-2006 = **£2,729.86 p.a.** and augmented post-2006 = **£1,723.69 p.a.** – based on member's pension at DOL revalued to NPD assuming increases of 2.5% per annum compound)

**OR**

- (2) Transfer value to another pension arrangement

## **Leavers Part 2 – Question 5**

### **Calculation**

- (1) Net refund of **£16,075.38**

**OR**

- (2) Preserved pension at date of leaving of **£2,782.40 p.a.** {v Underpin pension of **£2,479.17 p.a.**} (all post-2006) which, when revalued to NPD, would result in a pension of **£3,931.45 p.a.** (all post-2006 – assuming increases of 2.5% per annum compound) – plus AVC fund, which will remain invested, of **£11,624.23**

Spouse's pension on death after retirement of **£1,112.96 p.a.** (all post-2006 – based on member's pension at DOL) which, when revalued to NPD, would result in a pension of **£1,572.58 p.a.** (all post-2006 – based on member's pension at DOL revalued to NPD assuming increases of 2.5% per annum compound)

**OR**

- (3) Transfer value to another pension arrangement

### **Deaths Part 1 – Question 1**

#### **Calculation**

- (1) Lump sum death benefit (life assurance only since death in service before NPD {Category B}) of **£124,950.00** payable at Trustees' Discretion – [LTA used = **11.84%**]

**PLUS**

- (2) Spouse's pension of **£4,882.57 p.a.**

### **Deaths Part 1 – Question 2**

#### **Calculation**

- (1) Lump sum death benefit (refund of contributions of **£97,682.54** plus life assurance of **£181,250.00** since death in service after NPD) of **£278,932.54** payable at Trustees' Discretion – [LTA used = **26.43%**]

**PLUS**

- (2) Spouse's pension of **£9,209.89 p.a.** (pre-2006 = **£4,692.56 p.a.** and post-2006 = **£4,517.33 p.a.** {including young spouse reduction})

### **Deaths Part 1 - Question 3**

#### **Calculation**

- (1) Lump sum death benefit (equal to balance of 5 years' member pension instalments only since death in retirement {Category A}) of **£15,240.50** payable at Trustees' Discretion – [LTA used = **1.44%**]

**PLUS**

- (2) Spouse's pension of **£8,435.89 p.a.** (excess over WGMP = **£7,969.45 p.a.** and post-1988 WGMP = **£466.44 p.a.**)

### **Deaths Part 1 - Question 4**

#### **Calculation**

- (1) Lump sum death benefit (refund of Personal Retirement Account only since death in deferment) of **£197,250.52** payable to Legal Personal Representatives / Estate – [LTA used = **18.69%**]

**Letter: Question 6 – (Relating to Question 4)**

- (1) Date of death:
  - **28/08/2019**
- (2) Lump sum death benefit:
  - Total (Refund of Personal Retirement Account) = **£197,250.52**
  - Payable to **Legal Personal Representatives / Estate**
- (3) Lifetime allowance:
  - Percentage used by lump sum death benefit = **18.69%**
  - Counts against deceased member
- (4) Action required:
  - Member's death certificate

**Deaths Part 1 - Question 5**

**Calculation**

- (1) Lump sum death benefit (refund of contributions of **£61,902.00** plus life assurance of **£162,375.00** since death in service before NPD) of **£224,277.00** payable at Trustees' Discretion – [LTA used = **21.25%**]

**PLUS**

- (2) Spouse's pension of **£11,102.84 p.a.** (pre-2006 = **£1,293.66 p.a.** and post-2006 = **£9,809.18 p.a.**)

**Deaths Part 2 – Question 1**

**Calculation**

- (1) Lump sum death benefit (equal to balance of 5 years' member pension instalments only since death in retirement) of **£11,485.37** payable at Trustees' Discretion – [LTA used = **1.08%**]

**PLUS**

- (2) Spouse's pension of **£7,779.61 p.a.** (pre-2006 = **£738.23 p.a.** and post-2006 = **£7,041.38 p.a.** {including young spouse reduction})

**Letter: Question 6 – (Relating to Question 1)**

- (1) Date of death:
  - **08/09/2019**
- (2) Lump sum death benefit:
  - Total (balance of 5-year guarantee) = **£11,485.37**
  - Payable at **Trustees' Discretion**
- (3) Spouse's pension (**£7,779.61 p.a.**), stating:
  - Pre-2006 split (**£738.23 p.a.**)
  - Post-2006 split (**£7,041.38 p.a.**)
  - Commencement date (**01/10/2019**)
  - Rates of increase (pre-2006 = **lower of 5.0% / RPI** and post-2006 = **lower of 2.5% / RPI**)
  - Frequency of payment (**monthly**)
  - Increase date (**each year on anniversary of DOD**)
- (4) Additional information:
  - Enhanced percentage to spouse's pension
  - Young spouse reduction applies
- (5) Lifetime allowance:
  - Percentage used by lump sum death benefit (**1.08%**)
  - Counts against deceased member
- (6) Action required:
  - Member's death certificate
  - Spouse's birth & marriage certificates
  - Bank details

**Deaths Part 2 – Question 2**

**Calculation**

- (1) Lump sum death benefit (refund of contributions of **£6,826.94** plus refund of value of AVCs of **£926.53** since death in deferment) of **£7,753.47** payable at Trustees' Discretion – [LTA used = **0.73%**]

**Deaths Part 2 - Question 3**

**Calculation**

- (1) Lump sum death benefit (refund of Personal Retirement Account of **£908,978.08** plus life assurance of **£146,997.00** since death in service before NPD) of **£1,055,975.08** payable at Trustees' Discretion – [LTA used = **100.09%**] – *must refer to Manager as LTA exceeds balance*

### **Deaths Part 2 - Question 4**

#### **Calculation**

- (1) Lump sum death benefit (equal to 5 years' member pension instalments since death in service after NPD {Category A}) of **£241,662.95** payable at Trustees' Discretion – [LTA used = **22.90%**]

**PLUS**

- (2) Spouse's pension of **£24,166.30 p.a.** (excess over WGMP = **£23,370.70 p.a.** and post-1988 WGMP = **£795.60 p.a.**)

### **Deaths Part 2 - Question 5**

#### **Calculation**

- (1) Lump sum death benefit (life assurance only since death in service before NPD {Category B}) of **£108,030.00** payable at Trustees' Discretion – [LTA used = **10.23%**]

**PLUS**

- (2) Spouse's pension of **£3,729.59 p.a.**

### **Retirements Part 1 – Question 1**

#### **Calculation**

Options

- (1) Full pension of **£27,380.60 p.a.** (excess over GMP = **£26,317.72 p.a.** and post-1988 GMP = **£1,062.88 p.a.**) with a spouse's pension of **£13,690.30 p.a.** – [LTA used = **51.90%**]

**OR**

- (2) Pension commencement lump sum of **£126,987.32** – [LTA used = **12.03%**]

**PLUS**

Residual pension of **£19,048.10 p.a.** (excess over GMP = **£17,985.22 p.a.** and post-1988 GMP = **£1,062.88 p.a.**) with a spouse's pension of **£13,690.30 p.a.** – [LTA used = **36.11%**]

**Letter: Question 6 – (Relating to Question 1)**

- (1) Date of retirement:  
- **04/09/2019**
- (2) Options available:  
- Full pension = **£27,380.60 p.a.**, which is split as follows:  
- Excess over GMP = **£26,317.72 p.a.**  
- Post-1988 GMP = **£1,062.88 p.a.**  
**OR**  
- Pension commencement lump sum [PCLS] = **£126,987.32, PLUS**  
- Residual pension = **£19,048.10 p.a.**, which is split as follows:  
- Excess over GMP = **£17,985.22 p.a.**  
- Post-1988 GMP = **£1,062.88 p.a.**
- (3) Details of pension:  
- Commencement date = **01/10/2019**  
- Frequency of payment = **monthly**  
- Increase rates up to NPD (since early retirement *before* NPD):  
- Total pension = **lower of 5.0% / RPI**  
- Increase rates from NPD:  
- Excess over GMP = **lower of 5.0% / RPI**  
- Post-1988 GMP = **lower of 3.0% / CPI**  
- Increase date = **1st April each year**
- (4) Details of spouse's pension payable on death of member:  
- Spouse's pension = **£13,690.30 p.a.**
- (5) Must mention LSDB payable on death within 5 years of retirement
- (6) Lifetime allowance:  
- Percentage used by full pension = **51.90%**  
**OR**  
- Percentage used by PCLS = **12.03%** and percentage used by residual pension = **36.11%**
- (8) Action required:  
- Choice of option  
- Member's birth certificate  
- Bank details

**Retirements Part 1 – Question 2**

**Calculation**

Options

- (1) Full pension of **£9,386.62 p.a.** {vs *Underpin pension of £7,271.93 p.a.*} (pre-2006 = **£1,393.86 p.a.** and post-2006 = **£7,992.76 p.a.**) with a spouse's pension of **£3,754.64 p.a.** (pre-2006 = **£557.54 p.a.** and post-2006 = **£3,197.10 p.a.**) – [LTA used = **17.79%**]  
**OR**
- (2) Pension commencement lump sum of **£42,193.93** – [LTA used = **3.99%**]  
**PLUS**

Residual pension of **£6,329.09 p.a.** (pre-2006 = **£1,393.86 p.a.** and post-2006 = **£4,935.23 p.a.**) with a spouse's pension of **£3,754.64 p.a.** (pre-2006 = **£557.54 p.a.** and post-2006 = **£3,197.10 p.a.**) – [LTA used = **11.99%**]

### **Retirements Part 1 – Question 3**

#### **Calculation**

Value of Personal Retirement Account = **£212,539.09**

Options

- (1) Pension commencement lump sum of **£31,880.86** – [LTA used = **3.02%**]

**PLUS**

Annuity of **£17,045.61 p.a.** (non-increasing) with spouse's annuity of **£8,522.80 p.a.** – [LTA used = **17.12%**] – {Annuity Bureau Charge of **£90.33**}

**OR**

- (2) Pension commencement lump sum of **£31,880.86** – [LTA used = **3.02%**]

**PLUS**

Annuity of **£14,553.77 p.a.** (increasing at lower of 2.5% / RPI) with spouse's annuity of **£7,276.89 p.a.** – [LTA used = **17.12%**] – {Annuity Bureau Charge of **£90.33**}

**OR**

- (3) Single Uncrystallised Funds Pension Lump Sum of **£212,539.09** (tax-free element = **£53,134.77** and taxable element = **£159,404.32**, which is taxed at member's marginal rate and paid assuming an Emergency Code on a Month 1 basis) – [LTA used = **20.14%**]

**OR**

- (4) Open Market Option

### **Retirements Part 1 – Question 4**

#### **Calculation**

Options

- (1) Full pension of **£9,567.61 p.a.** with a spouse's pension of **£4,783.81 p.a.** – [LTA used = **18.13%**]

**OR**



- (2) Pension commencement lump sum of **£43,007.50** – [LTA used = **4.07%**]

**PLUS**

Residual pension of **£6,451.12 p.a.** with a spouse's pension of **£4,783.81 p.a.** – [LTA used = **12.22%**]

### **Retirements Part 1 – Question 5**

#### **Calculation**

Options

- (1) Full pension of **£13,000.00 p.a.** {vs *CARE pension of £10,988.76 p.a.*} (pre-2006 = **£2,000.00 p.a.** and post-2006 = **£11,000.00 p.a.**) with a spouse's pension of **£5,200.00 p.a.** (pre-2006 = **£800.00 p.a.** and post-2006 = **£4,400.00 p.a.**) – [LTA used = **24.64%**]

**OR**

- (2) Pension commencement lump sum of **£61,040.80** – [LTA used = **5.78%**]

**PLUS**

Residual pension of **£9,156.12 p.a.** (pre-2006 = **£2,000.00 p.a.** and post-2006 = **£7,156.12 p.a.**) with a spouse's pension of **£5,200.00 p.a.** (pre-2006 = **£800.00 p.a.** and post-2006 = **£4,400.00 p.a.**) – [LTA used = **17.35%**]

### **Retirements Part 2 – Question 1**

#### **Calculation**

Options

- (1) Full pension of **£19,342.74 p.a.** (including a single life fixed pension of **£6,984.12 p.a.**) with a spouse's pension of **£6,179.31 p.a.** – [LTA used = **36.66%**]

**OR**

- (2) Pension commencement lump sum of **£55,553.41** – [LTA used = **5.26%**]

**PLUS**

Residual pension of **£15,317.13 p.a.** (including a single life fixed pension of **£6,984.12 p.a.**) with a spouse's pension of **£6,179.31 p.a.** – [LTA used = **29.03%**]

## **Retirements Part 2 – Question 2**

### **Calculation**

Value of Personal Retirement Account = **£340,812.28** (including Transfer in of **£14,000.00**)

#### **Option 1 – No Cash**

- (1) Annuity of **£20,847.28 p.a.** (non-increasing) with spouse's annuity of **£10,243.64 p.a.** – [LTA used = **32.30%**] – {Annuity Bureau Charge of **£170.41**}

**OR**

- (2) Annuity of **£14,851.99 p.a.** (increasing at lower of 3.0% / RPI) with spouse's annuity of **£7,426.00 p.a.** – [LTA used = **32.30%**] – {Annuity Bureau Charge of **£170.41**}

#### **Option 2 – With Cash**

- (3) Pension commencement lump sum of **£85,203.07** – [LTA used = **8.07%**]

**PLUS**

Annuity of **£15,635.46 p.a.** (non-increasing) with spouse's annuity of **£7,817.73 p.a.** – [LTA used = **24.22%**] – {Annuity Bureau Charge of **£127.80**}

**OR**

- (4) Pension commencement lump sum of **£85,203.07** – [LTA used = **8.07%**]

**PLUS**

Annuity of **£11,138.99 p.a.** (increasing at lower of 3.0% / RPI) with spouse's annuity of **£5,569.50 p.a.** – [LTA used = **24.22%**] – {Annuity Bureau Charge of **£127.80**}

**OR**

- (5) Uncrystallised Funds Pension Lump Sum of **£340,812.28** (tax-free element = **£85,203.07** and taxable element = **£255,609.21**, which is taxed at member's marginal rate and paid assuming an Emergency Code on a Month 1 basis) – [LTA used = **32.30%**]

**OR**

- (6) Open Market Option

### **Retirements Part 2 - Question 3**

#### **Calculation**

Option 1A – Pension Only (AVCs: single life)

- (1A) Full pension of **£20,702.64 p.a.** {vs *Underpin pension of £17,701.25 p.a.*} (pre-2006 = **£2,206.87 p.a.** and post-2006 = **£18,495.77 p.a.** [plus post-2006 AVC pension of **£2,445.52 p.a.**]) with a spouse's pension of **£8,281.06 p.a.** (pre-2006 = **£882.75 p.a.** and post-2006 = **£7,398.31 p.a.**) – [LTA used = **43.88%**]

**OR**

Option 1B – Pension Only (AVCs: joint life)

- (1B) Full pension of **£20,702.64 p.a.** {vs *Underpin pension of £17,701.25 p.a.*} (pre-2006 = **£2,206.87 p.a.** and post-2006 = **£18,495.77 p.a.** [plus post-2006 AVC pension of **£2,024.54 p.a.**]) with a spouse's pension of **£8,281.06 p.a.** (pre-2006 = **£882.75 p.a.** and post-2006 = **£7,398.31 p.a.** [plus AVC pension of **£809.82 p.a.**]) – [LTA used = **43.08%**]

**OR**

Option 2 – Pension and Cash

- (2) Pension commencement lump sum of **£107,786.21** (including AVC cash of **£43,920.78**) – [LTA used = **10.21%**]

**PLUS**

Residual pension of **£16,624.39 p.a.** (pre-2006 = **£2,206.87 p.a.** and post-2006 = **£14,417.52 p.a.**) with a spouse's pension of **£8,281.06 p.a.** (pre-2006 = **£882.75 p.a.** and post-2006 = **£7,398.31 p.a.**) – [LTA used = **31.51%**]

### **Retirements Part 2 – Question 4**

#### **Calculation**

Options

- (1) Full pension of **£15,751.52 p.a.** (excess over GMP = **£14,973.60 p.a.**, pre-1988 GMP = **£69.68 p.a.** and post-1988 GMP = **£708.24 p.a.**) with a spouse's pension of **£7,875.76 p.a.** – [LTA used = **29.86%**]

**OR**

- (2) Pension commencement lump sum of **£69,084.67** – [LTA used = **6.54%**]

**PLUS**

Residual pension of **£10,632.70 p.a.** (excess over GMP = **£9,854.78 p.a.**, pre-1988 GMP = **£69.68 p.a.** and post-1988 GMP = **£708.24 p.a.**) with a spouse's pension of **£7,875.76 p.a.** – [LTA used = **19.64%**]

### **Retirements Part 2 – Question 5**

#### **Calculation**

##### Options

- (1) Full pension of **£43,552.90 p.a.** {vs *Underpin pension of £40,016.67 p.a.*} (pre-2006 = **£14,929.18 p.a.** and post-2006 = **£28,593.72 p.a.**) with a spouse's pension of **£20,268.53 p.a.** (pre-2006 = **£5,971.67 p.a.** and post-2006 = **£14,296.86 p.a.**) – [LTA used = **82.50%**]

**OR**

- (2) Pension commencement lump sum of **£150,000.00** – [LTA used = **14.21%**]

**PLUS**

Residual pension of **£32,653.33 p.a.** (pre-2006 = **£14,929.18 p.a.** and post-2006 = **£17,724.15 p.a.**) with a spouse's pension of **£20,268.53 p.a.** (pre-2006 = **£5,971.67 p.a.** and post-2006 = **£14,296.86 p.a.**) – [LTA used = **61.90%**]

### **Letter: Question 6 – (Relating to Question 5)**

- (1) Date of retirement:  
- **06/09/2019**
- (2) Options available:  
- Full pension = **£43,522.90 p.a.**, which is split as follows:  
- Pre-2006 = **£14,929.18 p.a.**  
- Post-2006 = **£28,593.72 p.a.**  
**OR**  
- Pension commencement lump sum [PCLS] = **£150,000.00**, PLUS  
- Residual pension = **£32,653.33 p.a.**, which is split as follows:  
- Pre-2006 = **£14,929.18 p.a.**  
- Post-2006 = **£17,724.15 p.a.**
- (3) Details of pension:  
- Commencement date = **01/10/2019**  
- Frequency of payment = **monthly**  
- Increase rates:  
- Pre-2006 = **lower of 5.0% / RPI**  
- Post-2006 = **lower of 2.5% / RPI**  
- Increase date = **anniversary of date of commencement**
- (4) Details of spouse's pension payable on death of member:  
- Spouse's pension = **£20,268.53 p.a.**
- (5) Mention enhanced accrual for post-2006 benefits
- (6) Mention enhanced spouse's percentage for post-2006 benefits
- (7) Mention potential young spouse reduction (as spouse greater than 10 years younger)

- (8) Must mention LSDB payable on death within 5 years of retirement
- (9) Lifetime allowance:
  - Percentage used by full pension = **82.50%**
  - OR
  - Percentage used by PCLS = **14.21%** and percentage used by residual pension = **61.90%**
- (10) Action required:
  - Choice of option
  - Member's birth certificate
  - Bank details

### **Transfers – Question 1**

#### **Calculation**

Total Transfer Value of **£152,883.29**, which includes the post-1997 Transfer Value of **£107,167.64** (member additionally has an AVC Fund Value of **£12,921.44**) – *mention requirement for independent financial advice from authorised adviser regulated under Financial Services & Markets Act 2000 if transferring to an arrangement where benefits can be accessed flexibly (as TV exceeds £30,000)*

### **Transfers – Question 2**

#### **Calculation**

Total Transfer Value of **£32,020.20** (including **£4,933.19** in respect of AVCs), which is split between Funds and Contribution Types as follows:

#### **Global Equity Fund – (non-Lifestyle)**

Member Contributions	-	£2,613.38
Employer Contributions	-	£4,181.40
Total	-	<b>£6,794.78</b>

#### **Index Linked Bond Fund – (non-Lifestyle)**

Member Contributions	-	£2,112.45
Employer Contributions	-	£3,379.93
AVCs	-	£955.28
Total	-	<b>£6,447.66</b>

#### **Balanced Fund – (non-Lifestyle)**

Member Contributions	-	£5,692.25
Employer Contributions	-	£9,107.60
AVCs	-	£2,683.01
Total	-	<b>£17,482.86</b>

#### **Corporate Fund – (non-Lifestyle)**

AVCs	-	£1,294.90
Total	-	<b>£1,294.90</b>

### **Transfers – Question 3**

#### **Calculation**

Total Transfer Value of **£162,242.67**, which includes the post-1997 Transfer Value of **£122,561.28** (member additionally has an AVC Fund Value of **£12,789.32**) – *mention requirement for independent financial advice from authorised adviser regulated under Financial Services & Markets Act 2000 if transferring to an arrangement where benefits can be accessed flexibly (as TV exceeds £30,000).*

#### **Letter: Question 7 – (Relating to Question 3)**

- (1) Total Transfer Value *excluding* AVCs = **£162,242.67**
- (2) Total Transfer Value *including* AVCs = **£175,031.99** {of which AVCs = **£12,789.32**}
- (3) Post-1997 element of Transfer Value = **£122,561.28**
- (4) Must mention option to transfer to suitable alternative pension arrangement
- (5) Must mention (*if member transferring to an arrangement where benefits can be accessed flexibly*):
  - requirement to take independent financial advice from an authorised adviser regulated under Financial Services and Markets Act 2000 should the transfer proceed
  - requirement to apply in writing to Trustees for transfer within 3 months of guarantee date (date on which transfer was calculated)
  - requirement to confirm to Trustees within 3 months of receiving transfer quotation that independent financial advice has been received
  - Trustees will verify within 6 months of guarantee date that independent financial advice has been received and carry out transfer
  - Trustees will (unless they hear to the contrary) assume transfer will be to an arrangement where benefits can be accessed flexibly
- (6) Must mention that financial advice cannot be given
- (7) Must make reference to “Pension Scams”
- (8) Must mention that – if transfer out proceeds – no benefits will remain in XYZ Pension and Life Assurance Scheme

### **Transfers – Question 4**

#### **Calculation**

- (1) At NPD, a pension of **£9,746.13 p.a.** (including post-1997 pension of **£8,266.87 p.a.**) would be payable
- (2) On death before retirement a refund of member contributions would be payable
- (3) On death after retirement a lump sum death benefit would be payable (provided death occurs within 5 years of retirement) and a spouse’s pension would also be payable
- (4) All benefits will be payable in accordance with the provisions of the RST Pension Scheme

**Letter: Question 8 – (Relating to Question 4)**

- (1) Transfer Value (**£41,000.24**)
- (2) Total pension benefit provided at NPD (**£9,746.13 p.a.**)
- (3) Post-1997 element of Transfer Value (**£34,439.30**)
- (4) Post-1997 element of pension benefit provided at NPD (**£8,266.87 p.a.**)
- (5) Mention following benefits on death:
  - Refund of contributions on death before retirement
  - Lump sum death benefit (provided death occurs within five years of retirement) and spouse's pension on death after retirement
- (6) Must mention that financial advice cannot be given
- (7) Must mention requirement for member's written authority to proceed
- (8) Must mention guarantee period
- (9) Must mention that – if transfer in proceeds – no benefits will remain in previous scheme
- (10) Must mention that – if transfer in proceeds – benefits provided will be subject to rules of RST Pension Scheme

**Transfers – Question 5**

**Calculation**

The Transfer-in of **£20,345.68** would buy units in the member's Personal Retirement Account split between Funds and Contribution Types as follows:

**Global Equity Fund – (Lifestyle)**

Member Contributions	-	325.6886 units
Employer Contributions	-	250.3453 units
AVCs	-	252.4351 units
Total	-	<b>828.4690 units</b>

**Index Linked Bond Fund – (Lifestyle)**

Member Contributions	-	2,461.3151 units
Employer Contributions	-	1,891.9262 units
AVCs	-	1,907.7188 units
Total	-	<b>6,260.9601 units</b>

**Cash Fund – (Lifestyle)**

Member Contributions	-	1,055.9668 units
Employer Contributions	-	811.6845 units
AVCs	-	818.4599 units
Total	-	<b>2,686.1112 units</b>

**Balanced Fund – (non-Lifestyle)**

Member Contributions	-	461.7968 units
Employer Contributions	-	354.9677 units
AVCs	-	357.9307 units
Total	-	<b>1,174.6952 units</b>

## **Transfers – Question 6**

### **Calculation**

- (1) At NPD, a pension of **£2,584.47 p.a.** (including excess pension of **£2,122.19 p.a.** and post-1988 GMP of **£462.28 p.a.** {and including post-1997 pension of **£1,964.66 p.a.**}) would be payable
  - (2) On death before retirement before NPD a refund of contributions would be payable and a spouse's pension revalued to date of death would also be payable
  - (3) On death before retirement on or after NPD (*from active status only, as late retirement not permitted from preserved status*) a lump sum death benefit would be payable (calculated on the assumption that the member retired on the date of death) and a spouse's pension would also be payable
  - (4) On death after retirement a lump sum death benefit would be payable (provided death occurs within 5 years of retirement) and a spouse's pension would also be payable
  - (5) All benefits will be payable in accordance with the provisions of the XYZ Pension and Life Assurance Scheme
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