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VQ EXAMINERS' REPORT MARCH 2019

It is encouraging and positive to note that the overall number of entries for these examinations continues to be high. Indeed, the figure for this series of examinations was the highest for many years and significantly higher than September 2018 (**753 v 642**), with **705** scripts received. Entries were submitted for **408** candidates from **62** centres. Out of the **48** scripts which were not received from the original entries, **16** were withdrawals and **32** were absentees. The highest entries were for **Leavers** (**172** for **Leavers Part 1** and **144** for **Leavers Part 2**), many of whom were taking the examinations for the first time. The lowest entries were for **Deaths** (**63** for **Deaths Part 1** and **68** for **Deaths Part 2**), many of whom were looking to complete their final set of examinations.

For this series of examinations, the average pass rate across all units was slightly lower than September 2018 (**70% v 73%**), but still higher than any other series since November 2014. This is very encouraging and clearly demonstrates the high competency levels of many of the candidates. Indeed, a number of candidates produced perfect papers, with no errors being recorded.

The Chief and Senior Examiners were very pleased to observe that candidates fared better than September 2018 in the Part 2 papers for **Retirements** and **Deaths** (**59% v 55%** for **Retirements Part 2** and **87% v 76%** for **Deaths Part 2**). Indeed, for **Deaths Part 2**, the pass rate was the highest in any Unit for many years. Candidates were not quite as successful in the Part 1 papers (**68% v 74%** for **Retirements Part 1**, **71% v 84%** for **Deaths Part 1** and **73% v 80%** for **Leavers Part 1**). Although lower, the pass rates were broadly similar to September 2018 for **Leavers Part 2** (**76% v 79%**) and **Transfers** (**59% v 60%**).

For **Leavers Part 1**, the standard of scripts was generally extremely good. If candidates did struggle, it was more often than not on the *Case Study* relating to the *XYZ Pension and Life Assurance Scheme (Category A)*, both in terms of revaluing the post-1988 GMP from date of leaving to 'GMP due date' and revaluing the post-1988 GMP by statutory increases from 'GMP due date' to normal pension date. Indeed, many candidates failed to recognise that the *Case Study* related to a female member and revalued from date of leaving to normal pension date (without any reference to 'GMP due date'). Not a number of candidates failed to state the revaluation factors altogether (for either the post-1988 GMP element or the excess element).

For the second of the two *Case Studies* relating to the *OPQ Retirement & Death Benefits Plan*, a large number of candidates did not identify that the only option was a refund. Some candidates calculated preserved benefits and many more indicated that the transfer option was available.

The *Letter* associated with the first of the two *Case Studies* for the *OPQ Retirements & Death Benefits Plan* was usually well answered although quite a few candidates did not mention that the member's funds would remain invested in the Lifestyle Fund (or make any reference to the Lifestyle Fund).

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.

Similarly to **Leavers Part 1**, many candidates in **Leavers Part 2** failed to recognise that the refund option was the only available option for the *Case Study* relating to the *OPQ Retirements & Death Benefits Plan*. Where the refund option was calculated, a few candidates ran into difficulties when applying the tax (e.g. candidates frequently applied a tax charge to the value of the member's portion of the overall Personal Retirement Account rather than to the member's contributions paid).

For the first of the two *Case Studies* relating to the *RST Pension Scheme*, the part-time splits were not always dealt with correctly for the Underpin pension.

In addition, for the second of the two *Case Studies* relating to the *RST Pension Scheme*, the transfer in caused issues for some candidates. In a number of instances, the revalued transferred-in pension at normal pension date was wrongly accumulated with the pension at the date of leaving. In other instances, candidates attempted to revalue the already revalued transferred-in pension when determining the pension payable from normal pension date.

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

For **Retirements Part 1**, a surprisingly high number of candidates struggled with the late retirement *Case Study* relating to the *XYZ Pension and Life Assurance Scheme (Category A)* by failing to cap pensionable service and final pensionable salary to normal pension date.

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 (albeit they were generally provided for the CARE pension, which was not payable).

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 number of candidates did not always explain fully the tax position for the Uncrystallised Funds Pension Lump Sum (UFPLS) option. Additionally, the open market option was occasionally omitted by some candidates.

For **Retirements Part 2**, many candidates experienced difficulties with the *Case Study* relating to the *XYZ Pension and Life Assurance Scheme (Category B)* when dealing with the AVC pension elements (single life and joint life). As mentioned in the previous Examiners' Report, this type of *Case Study* continues to trip up candidates despite the frequency of it being tested.

For the second of the two *Case Studies* relating to the *RST Pension Scheme*, many candidates did not cope particularly well with the part-time splits; both for the calculation of the year-to-date CARE pension and for the calculation of the Underpin pension. In some cases, the part-time splits were ignored altogether.

As with **Retirements Part 1**, there were a few candidates attempting **Retirements Part 2** who did not fully grasp the options required to be calculated for the *Case Study* relating to the *OPQ Retirement & Death Benefits Plan*. A non-increasing single life annuity should have been quoted with the cash option, and an increasing (lower of 2.5% / RPI) joint life annuity option should have been quoted for the 'non' cash option. Once again, a few candidates failed to mention the open market option or did not explain fully the tax position for the UFPLS option.

The *Letters* for both **Retirement** papers were generally very well answered, although for **Retirements Part 2** many candidates did not make reference to the differences in the pension increase rates to be applied before and after normal pension date. This was in relation to the *Letter* for the *XYZ Retirement and Life Assurance Scheme (Category A)*.

Both **Death** papers were very well answered by most candidates. For **Deaths Part 1**, candidates did sometimes struggle with the *Case Study* for the *XYZ Pension and Life Assurance Scheme (Category A)* by not always revaluing the GMP elements in accordance with the prescribed method or by failing to ensure that the GMP element for the spouse's pension was divisible by 52. In addition, a few candidates did not recognise that there should have been no pre-88 WGMP element for the spouse's pension (as the deceased member was a female).

With the first of the two *Case Studies* relating to the *RST Pension Scheme*, quite a few candidates incorrectly calculated the number of outstanding instalments for the lump sum death benefit (LSDB). This was due to the date of death occurring on the first day of the month (i.e. many candidates did not realise that a pension payment on this date would have been paid).

For the *Case Study* relating to the *XYZ Pension and Life Assurance Scheme (Category B)*, it was evident that some candidates did not fully understand the underlying methodology for the late retirement calculation; particularly in relation to revaluing the final pensionable salary at 3 July 2011 up to normal pension date for the first part of the salary comparison and then determining the final pensionable salary (with reference to normal pension date) for the second part of the salary comparison. For this *Case Study*, some candidates also failed to cap the LSDB to the amount of pension payments that would have been paid to age 75. A similar *Case Study* appeared in September 2018 for **Deaths Part 2** when the same difficulties were experienced by a number of candidates.

Although **Deaths Part 2** achieved the highest percentage pass rate across all Units, there were a couple of *Case Studies* which caused more difficulties than others. Firstly, with the *Case Study* relating to the *XYZ Pension and Life Assurance Scheme (Category A)*, the same issues that have already been mentioned with **Deaths Part 1** were occasionally encountered (albeit the deceased member was male for this particular *Case Study* and so there was a requirement to determine both pre-1988 and post-1988 WGMP elements).

Secondly, for the first of the two *Case Studies* relating to the *RST Pension Scheme*, quite a few candidates mixed up the full-time equivalent and actual contractual salaries when calculating the life assurance element of the LSDB (i.e. candidates should have used 'actual' contractual salary) and the Underpin pension (i.e. candidates should have used 'full-time equivalent' contractual salary). Even when using the correct contractual salary figures, some candidates did not deal with the part-time service correctly for the Underpin pension. In addition, a few candidates did not always use the prevailing part-time basis when determining the potential service to normal pension date for the CARE pension.

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). This omission is frequently mentioned in the Examiners' Report and, when omitted, can be the difference between success and failure in this particular Unit.

For the transfer out *Case Study* for the *OPQ Retirement & Death Benefits Plan*, a number of candidates just stated the end answers rather than showing their workings in accordance with 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 being multiplied by the appropriate unit prices.

The *Letters* were generally well answered for *Transfers*. However, there were a number of candidates who – for the *Letter* relating to the transfer in of benefits to the *OPQ Retirement & Death Benefits Plan* – failed to mention that the transferred-in benefits had been allocated to the Lifestyle Fund (i.e. many candidates correctly provided the current split of unit holdings within the funds comprising the Lifestyle Fund, but without specifically making reference to the Lifestyle Fund).

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 answer script and whose action causes difficulties with the marking process.

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 September 2019. However, all of the Booklets will be amended for these examinations to ensure examples and appendices are fully up to date from a practical and legislative perspective.

THE STATISTICS

There were **753** entries by **408** candidates from **62** Centres. There were some absences and withdrawals leading to **705** 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	94	0	3	91	62	29	68%
Retirements Part 2	104	1	4	99	58	41	59%
Deaths Part 1	63	4	1	58	41	17	71%
Deaths Part 2	68	3	2	63	55	8	87%
Leavers Part 1	172	6	8	158	116	42	73%
Leavers Part 2	144	2	6	136	104	32	76%
Transfers	108	0	8	100	59	41	59%
TOTAL	753	16	32	705	495	210	70%

COMMON ERRORS WHERE CANDIDATES FAILED TO MEET THE STANDARDS

LEAVERS: PART 1

Qu.1 – (XYZ: Category A)

- Final pensionable salary not always clearly stated as being based on best pensionable salary in previous 5 years
- Post-1988 GMP frequently revalued in complete tax years from date of leaving to normal pension date rather than being revalued in complete tax years from date of leaving to 'GMP due date' and then by statutory revaluation from 'GMP due date' to normal pension date (i.e. member treated as male rather than female)
- Factor for post-1988 GMP revaluation from date of leaving to 'GMP due date' not always stated (or stated but not always rounded to 3 decimal places)
- Post-1988 GMP at normal pension date not always rounded to be divisible by 52
- Number of complete years for excess revaluation from date of leaving to normal pension date occasionally incorrect
- Factor for excess revaluation from date of leaving to normal pension date not always stated

Qu.2 – (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.3 – (OPQ)

- Preserved benefits often calculated when 'refund only' option should have applied
- Transfer out option frequently stated when 'refund only' option should have applied
- Employer fund value often calculated when not required for refund option
- Method for refund calculation occasionally incorrect (e.g. tax wrongly applied to member fund value with no reference to member contributions paid or tax correctly applied to member contributions paid but with no calculation of – or reference to – member fund value)
- Reference to investment return over and above contributions paid having to be notified to HMRC occasionally omitted

Qu.4 – (RST)

- Statement that pension all post-2006 not always mentioned
- Factor for revaluation from date of leaving to normal pension date not always stated
- Year to date CARE pension sometimes incorrect by one month

Qu.5 – (XYZ: Category B)

- Pensionable service sometimes not capped to 3 July 2011
- Final pensionable salary not always clearly stated as being based on best pensionable salary in previous 5 years (prior to making comparison)
- Factor for excess revaluation from date of leaving to normal pension date occasionally not stated
- Transfer option sometimes omitted

Qu.6 – (Letter for Qu.2)

- Reference to funds remaining invested in Lifestyle Fund often omitted
- Split of unit holdings and fund values not always provided
- Statement that benefits cannot be taken prior to age 55 (or earlier if in ill health) sometimes omitted

LEAVERS: PART 2

Qu.1 – (OPQ)

- Preserved benefits often calculated when 'refund only' option should have applied
- Transfer out option frequently stated when 'refund only' option should have applied
- 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
- Tax treatment of refund calculation not always correctly applied
- Reference to investment return over and above contributions paid having to be notified to HMRC occasionally omitted

Qu.2 – (RST)

- Underpin pension not always calculated as being higher than CARE pension
- Part-time service frequently dealt with incorrectly for Underpin pension
- Underpin pension occasionally not split out for pre / post 2006 elements
- Factor for revaluation from date of leaving to normal pension date not always stated

Qu.3 – (RST)

- Transferred-in pension often added to pension at date of leaving (when payable from normal pension date)
- Transferred-in pension occasionally omitted from spouse's pension on death after retirement
- Factor for revaluation from date of leaving to normal pension date not always stated
- Statement that scheme pension all post-2006 not always mentioned
- Statement that transferred-in pension all post-2006 not always mentioned

Qu.4 – (XYZ: Category A)

- Final pensionable salary sometimes based on latest pensionable salary rather than best pensionable salary in previous 5 years
- GMP elements frequently revalued in complete tax years from date of leaving to normal pension date rather than being revalued in complete tax years from date of leaving to 'GMP due date' and then by statutory revaluation from 'GMP due date' to normal pension date (i.e. member treated as male rather than female)
- GMP elements not always revalued from date of leaving to 'GMP due date' in accordance with statutory method detailed in appendices of XYZ Scheme booklet (i.e. revalued pre-1988 GMP at 'GMP due date' should be derived by deducting revalued post-1988 GMP at 'GMP due date' from revalued total GMP at 'GMP due date')
- Factor for excess revaluation from date of leaving to normal pension date not always stated

Qu.5 – (XYZ: Category B)

- Final pensionable salary not always clearly stated as being based on best pensionable salary in previous 5 years (prior to making comparison)
- Pensionable service occasionally not capped to 3 July 2011
- Pensionable service for standard and enhanced accrual rates not always calculated correctly

Qu.6 – (Letter for Qu.5)

- 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 A)

- Number of complete tax years for GMP revaluation to date of death not always correct
- GMP not always revalued from date of leaving to date of death in accordance with statutory method detailed in appendices of XYZ Scheme booklet (i.e. revalued pre-1988 GMP at date of death should be derived by deducting revalued post-1988 GMP at date of death from revalued total GMP at date of death)
- 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)
- Recipient of LSDB sometimes stated as being at discretion of trustees when reference should have been made to LSDB being paid to deceased member's legal personal representatives / estate
- Lifetime Allowance check occasionally compared against 100.00% availability (rather than 68.14%)

Qu.2 – (RST)

- Number of instalments sometimes calculated incorrectly for balance of payments for LSDB (even when start and end dates correct)
- Date of last payment for LSDB occasionally caused confusion since date of death was first day of month (i.e. last payment should have been 1 March 2019 rather than 1 February 2019)
- Young spouse reduction occasionally not applied (but generally correct when applied)

Qu.3 – (RST)

- Potential service not always included in calculation of CARE pension and Underpin pension (or included, but not for both calculations)

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

Qu.5 – (XYZ: Category B)

- Pensionable service occasionally not capped to 3 July 2011
- Highest pensionable salary in last 5 years not always capped to normal pension date
- Revalued final pensionable salary at 3 July 2011 not always clearly compared against best pensionable salary in last 5 years (capped to normal pension date)
- Late retirement factor not always applied (or factor applied but not always rounded to nearest integer)
- Balance of payments for LSDB frequently based on 60 months rather than being capped to age 75

Qu.6 – (Letter for Qu.5)

- Words 'or lower of RPI' sometimes omitted when referring to increases to pension in payment (i.e. just a statement provided to indicate fixed increases of 5%)

DEATHS: PART 2

Qu.1 – (XYZ: Category B)

- Number of instalments sometimes calculated incorrectly for balance of payments for LSDB (normally by one month)

Qu.2 – (RST)

- Life assurance sometimes based on 'full-time equivalent' contractual salary rather than 'actual' contractual salary
- Part-time adjustment occasionally ignored for prospective pensionable service in calculation of CARE pension
- Part-time adjustment sometimes applied to 'actual' contractual salary rather than 'full-time equivalent' contractual salary in calculation of Underpin pension
- Part-time calculation often incorrect for Underpin pension (sometimes being ignored altogether)
- Young spouse reduction factor occasionally omitted (but generally correct when applied)

Qu.3 – (RST)

- Enhanced accrual rate not always used in calculation of both CARE pension and Underpin pension (e.g. generally used in calculation of CARE pension but not always used in calculation of Underpin pension)

Qu.4 – (XYZ: Category A)

- GMP not always revalued from date of leaving to date of death in accordance with statutory method detailed in appendices of XYZ Scheme booklet (i.e. revalued pre-1988 GMP at date of death should be derived by deducting revalued post-1988 GMP at date of death from revalued total GMP at date of death)
- 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)
- Refund of AVCs for LSDB occasionally based on AVCs paid rather than current value of AVCs
- Recipient of LSDB sometimes stated as being at discretion of trustees when reference should have been made to LSDB being paid to deceased member's legal personal representatives / estate

Qu.5 – (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 LSDB sometimes stated as being at discretion of trustees when reference should have been made to LSDB being paid to deceased member's legal personal representatives / estate
- Lifetime Allowance check occasionally compared against 100.00% availability (rather than 75.96%)

Qu.6 – (Letter for Qu.1)

- Enhanced percentage for spouse's pension sometimes omitted

RETIREMENTS: PART 1

Qu.1 – (RST)

- Early retirement factor occasionally omitted
- Early retirement factor (when applied) not always rounded to whole integer
- Pensionable service for YTD CARE pension sometimes wrong by one month
- 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 omitted

Qu.2 – (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
- Contracted-out check not always based on pension after applying late retirement factor
- Check to determine if residual pension exceeds GMP occasionally omitted

Qu.3 – (RST)

- Pre / post-2006 pension splits not always provided for higher Underpin pension (although nearly always provided for lower CARE pension)
- Spouse's post-commutation pension occasionally not stated

Qu.4 – (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
- Annuity only option occasionally provided when specifically not requested
- 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 paid assuming an emergency code on a month 1 basis)
- Mention of open market option sometimes omitted

Qu.5 – (XYZ: Category B)

- Early retirement factor occasionally applied (even though ill health)

Qu.6 – (Letter for Qu.1)

- Mention of young spouse – based on current marital status – not always stated

RETIREMENTS: PART 2

Qu.1 – (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)
- Enhanced accrual rate not always incorporated within Underpin calculation
- Splits not always provided for pre / post-2006 elements of residual pension
- Spouse's post-commutation pension occasionally not stated
- Potential young spouse reduction sometimes mentioned (when spouse was 10 years older than member)

Qu.2 – (XYZ: Category B)

- 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
- Methodology for incorporating AVCs within pension commencement lump sum calculation sometimes inaccurate

Qu.3 – (OPQ)

- Correct type of annuity with cash option not always provided (i.e. single life and non-increasing)
- Correct type of annuity with 'no' cash option not always provided (i.e. joint life and increasing at lower of 2.5% / RPI)
- 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 paid assuming an emergency code on a month 1 basis)
- Mention of open market option sometimes omitted

Qu.4 – (RST)

- Part-time calculation not always correct for year-to-date CARE pension
- Part-time calculation often incorrect for Underpin pension (sometimes being ignored altogether)
- Actual contractual salary rather than full-time equivalent contractual salary sometimes used for calculation of Underpin pension
- Splits not always provided for pre / post-2006 elements of residual pension
- Spouse's post-commutation pension occasionally not stated

Qu.5 – (XYZ: Category A)

- Pensionable service splits for different accrual rates occasionally miscalculated
- Application of early retirement factor occasionally omitted (even when calculated)
- Contracted-out check not always based on pension after applying early retirement factor
- Check to determine if residual pension exceeds GMP occasionally omitted

Qu.6 – (Letter for Qu.5)

- Mention of varied accrual rates sometimes omitted
- 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 State Pension

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
- AVCs occasionally doubled up when summarising constituent parts of overall transfer value

Qu.2 – (OPQ)

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

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)

- Adjusted transfer value occasionally calculated by multiplying transfer value by MVA factor (rather than dividing by MVA factor)
- Contribution element sometimes not deducted from adjusted transfer value (even when contribution element correctly calculated)
- 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

Qu.6 – (XYZ)

- Age next birthday occasionally wrong (usually by one year too high)
- 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.5)

- Breakdown of individual units by contribution type within each fund frequently omitted (although total units for each fund usually provided)
- Reference to transferred-in benefits being allocated to Lifestyle Fund often omitted

SUMMARY OF WORKED ANSWERS

Leavers Part 1 – Question 1

Calculation

- (1) Preserved pension at date of leaving of **£18,641.97 p.a.** (excess over GMP = **£17,605.09 p.a.** and post-1988 GMP = **£1,036.88 p.a.**) which, when revalued to NPD, could result in a maximum pension of **£44,947.44 p.a.** (excess over GMP = **£42,368.76 p.a.** and post-1988 GMP = **£2,578.68 p.a.**)

Spouse's pension on death before / after retirement of **£9,320.99 p.a.** (*based on member's pension at DOL*) which, when revalued to NPD, could result in a maximum pension of **£22,473.72 p.a.** (*based on member's pension at DOL revalued to NPD*)

OR

- (2) Transfer value to another pension arrangement

Leavers Part 1 – Question 2

Calculation

- (1) Preserved benefit of **£40,912.38**

OR

- (2) Transfer value to another pension arrangement

Letter: Question 6 – (Relating to Question 2)

- (1) Date of leaving:
- **08/03/2019**
- (2) Personal Retirement Account at leaving:
- Total value = **£40,912.38**
- State unit price of each fund (*optional*)
- State units in each fund (including individual split of units by contribution type)
- State total value of each fund (including individual split of values by contribution type)
- (3) Member's TRD:
- **05/02/2020 (or reference can be made to NPD instead; being age 65, or State Pension Date if later)**
- (4) Must mention member's options on leaving:
- Funds remain invested in 'Lifestyle Fund' (and cannot be accessed until age 55, or earlier if in ill health) – *no need to specifically mention funds remain invested in 'Lifestyle Fund' if units already set out as Lifestyle units (sufficient to say funds remain invested)*
- Transfer option

- (5) Must mention annual statements will be issued if funds remain invested
- (6) Must mention member's available options when taking benefits from the Plan:
 - Full annuity using 'Annuity Bureau' factors (single life v joint life and increasing v non-increasing) without tax-free cash sum
 - Reduced annuity using 'Annuity Bureau' factors (single life v joint life and increasing v non-increasing) with tax-free cash sum
 - Single Uncrystallised Funds Pension Lump Sum
- (7) Must mention member's benefits on death before retirement
 - Value of Personal Retirement Account paid to Legal Personal Representatives

Leavers Part 1 – Question 3

Calculation

- (1) Preserved pension at date of leaving of **£4,367.49 p.a.** which, when revalued to NPD, could result in a maximum pension of **£7,114.16 p.a.**

Spouse's pension on death before / after retirement of **£2,183.75 p.a.** (*based on member's pension at DOL*) which, when revalued to NPD, could result in a maximum pension of **£3,557.08 p.a.** (*based on member's pension at DOL revalued to NPD*)

OR

- (2) Transfer value to another pension arrangement

Leavers Part 1 – Question 3

Calculation

- (1) Net refund of **£81.25**

Leavers Part 1 – Question 4

Calculation

- (1) Preserved pension at date of leaving of **£6,280.46 p.a.** {*v Underpin pension of £5,458.33 p.a.*} (all post-2006) which, when revalued to NPD, would result in a pension of **£12,852.40 p.a.** (all post-2006 – *assuming increases of 2.5% per annum compound*)

Spouse's pension on death after retirement of **£2,512.18 p.a.** (all post-2006 – *based on member's pension at DOL*) which, when revalued to NPD, would result in a pension of **£5,140.96 p.a.** (all post-2006 – *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 1 – Question 5

Calculation

- (1) Preserved pension at date of leaving of **£5,946.26 p.a.** which, when revalued to NPD, could result in a maximum pension of **£21,142.94 p.a.**

Spouse's pension on death before / after retirement of **£2,973.13 p.a.** (*based on member's pension at DOL*) which, when revalued to NPD, could result in a maximum pension of **£10,571.47 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) Net refund of **£246.21**

Leavers Part 2 – Question 2

Calculation

- (1) Preserved pension at date of leaving of **£7,937.50 p.a.** {*v CARE pension of £6,650.66 p.a.*} (pre-2006 = **£1,500.00 p.a.** and post-2006 = **£6,437.50 p.a.**) which, when revalued to NPD, would result in a pension of **£12,689.29 p.a.** (pre-2006 = **£2,397.98 p.a.** and post-2006 = **£10,291.31 p.a.** – *assuming increases of 2.5% per annum compound*)

Spouse's pension on death after retirement of **£3,175.00 p.a.** (pre-2006 = **£600.00 p.a.** and post-2006 = **£2,575.00 p.a.** – *based on member's pension at DOL*) which, when revalued to NPD would result in a pension of **£5,075.71 p.a.** (pre-2006 = **£959.19 p.a.** and post-2006 = **£4,116.52 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 3

Calculation

- (1) Preserved pension at date of leaving of **£7,641.67 p.a.** {*v Underpin pension of £7,423.33 p.a.*} (all post-2006) which, when revalued to NPD, would result in a pension of **£11,918.41 p.a.** (all post-2006 – *assuming increases of 2.5% per annum compound*); a transferred-in pension of **£1,976.32 p.a.** (all post-2006) would also be payable at NPD (total at NPD = **£13,894.73 p.a.**)

Spouse's pension on death after retirement of **£3,056.67 p.a.** (all post-2006 – based on member's pension at DOL) which, when revalued to NPD would result in a pension of **£4,767.36 p.a.** (all post-2006 – based on member's pension at DOL revalued to NPD assuming increases of 2.5% per annum compound); a transferred-in pension of **£790.53 p.a.** (all post-2006) would also be payable at NPD (total at NPD = **£5,557.89 p.a.**)

OR

- (2) Transfer value to another pension arrangement

Leavers Part 2 – Question 4

Calculation

- (1) Preserved pension at date of leaving of **£9,681.91 p.a.** (excess over GMP = **£7,778.71 p.a.**, pre-1988 GMP = **£638.04 p.a.** and post-1988 GMP = **£1,265.16 p.a.**) which, when revalued to NPD, could result in a maximum pension of **£14,036.82 p.a.** (excess over GMP = **£10,945.42 p.a.**, pre-1988 GMP = **£937.04 p.a.** and post-1988 GMP = **£2,154.36 p.a.**)

Spouse's pension on death before / after retirement of **£4,840.96 p.a.** (based on member's pension at DOL) which, when revalued to NPD, could result in a maximum pension of **£7,018.41 p.a.** (based on member's pension at DOL revalued to NPD)

OR

- (2) Transfer value to another pension arrangement

Leavers Part 2 – Question 5

Calculation

- (1) Preserved pension at date of leaving of **£8,455.44 p.a.** which, when revalued to NPD, could result in a maximum pension of **£18,457.13 p.a.**

Spouse's pension on death before / after retirement of **£4,227.72 p.a.** (based on member's pension at DOL) which, when revalued to NPD, could result in a maximum pension of **£9,228.57 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 5)

- (1) Date of leaving:
- **11/03/2019**
- (2) Preserved pension at date of leaving:
- Total (all excess) = **£8,455.44 p.a.**

- (3) Member's NPD:
 - **17/11/2035 (or specify NPD is age 65)**
- (4) Must mention member's enhanced accrual rate
- (5) Revaluation rate to NPD:
 - Excess revaluation from DOL to NPD = **lower of 5.0% / RPI**
- (6) Pension at NPD:
 - Total (all excess) = **£18,457.13 p.a.**
- (7) Must mention tax-free cash sum option on retirement
- (8) Death before retirement:
 - Spouse's pension = **£4,227.72 p.a. at DOL, revalued to DOD**
 - NO refund of contributions (**Non-contributory**)
- (9) Death after retirement:
 - Spouse's pension = **£4,227.72 p.a. at DOL, revalued to max £9,228.57 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

Deaths Part 1 – Question 1

Calculation

- (1) Lump sum death benefit (refund of contributions only since death in deferment {Category A}) of **£43,986.20** payable to Legal Personal Representatives / Estate – [LTA used = **4.27%**]

PLUS

- (2) Spouse's pension of **£13,509.77 p.a.** (excess over WGMP = **£9,496.93 p.a.** and post-1988 WGMP = **£4,012.84 p.a.**)

Deaths Part 1 - Question 2

Calculation

- (1) Lump sum death benefit (equal to balance of 5 years' member pension instalments only since death in retirement) of **£11,241.45** payable at Trustees' Discretion – [LTA used = **1.09%**]

PLUS

- (2) Spouse's pension of **£2,418.73 p.a.** (pre-2006 = **£221.21 p.a.** and post-2006 = **£2,197.52 p.a.** {including young spouse reduction})

Deaths Part 1 – Question 3

Calculation

- (1) Lump sum death benefit (refund of contributions of **£56,387.18** plus life assurance of **£120,375.00** since death in service before NPD) of **£176,762.18** payable at Trustees' Discretion – [LTA used = **17.16%**]

PLUS

- (2) Spouse's pension of **£8,167.95 p.a.** (pre-2006 = **£2,504.17 p.a.** and post-2006 = **£5,663.78 p.a.**)

Deaths Part 1 - Question 4

Calculation

- (1) Lump sum death benefit (refund of Personal Retirement Account of **£331,787.74** plus life assurance of **£200,100.00** since death in service before NPD) of **£531,887.74** payable at Trustees' Discretion – [LTA used = **51.63%**]

Deaths Part 1 - Question 5

Calculation

- (1) Lump sum death benefit (equal to 5 years' member pension instalments [but capped to age 75] since death in service after NPD {Category B}) of **£142,983.41** payable at Trustees' Discretion – [LTA used = **13.88%**]

PLUS

- (2) Spouse's pension of **£15,598.19 p.a.**

Letter: Question 6 – (Relating to Question 5)

- (1) Date of death:
- **06/03/2019**
- (2) Lump sum death benefit:
- Total (all 5-year guarantee) = **£142,983.41**
- Payable at **Trustees' Discretion**
- (3) Spouse's pension:
- Total (all excess) = **15,598.19 p.a.**
- Commencement date = **01/04/2019**
- Rate of increase (all excess) = **lower of 5.0% / RPI**
- Frequency of payment = **monthly**
- Increase date = **1st April each year**

- (4) Lifetime allowance:
 - Percentage used by lump sum death benefit = **13.88%**
 - Counts against deceased member
- (5) Action required:
 - Member's death certificate
 - Spouse's birth & marriage certificates
 - Bank details

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 {Category B}) of **£17,152.92** payable at Trustees' Discretion – [LTA used = **1.66%**]

PLUS

- (2) Spouse's pension of **£5,380.10 p.a.**

Letter: Question 6 – (Relating to Question 1)

- (1) Date of death:
 - **06/03/2019**
- (2) Lump sum death benefit:
 - Total (balance of 5-year guarantee) = **£17,152.92**
 - Payable at **Trustees' Discretion**
- (3) Spouse's pension:
 - Total (all excess) = **5,380.10 p.a.**
 - Commencement date = **01/04/2019**
 - Rate of increase (all excess) = **lower of 5.0% / RPI**
 - Frequency of payment = **monthly**
 - Increase date = **1st April each year**
- (4) Additional information:
 - Enhanced percentage to spouse's pension
- (5) Lifetime allowance:
 - Percentage used by lump sum death benefit = **1.66%**
 - 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 **£56,757.71** plus life assurance of **£71,250.00** since death in service before NPD) of **£128,007.71** payable at Trustees' Discretion – [LTA used = **12.42%**]
- PLUS**
- (2) Spouse's pension of **£7,004.46 p.a.** (pre-2006 = **£2,525.19 p.a.** and post-2006 = **£4,479.27 p.a.** {including young spouse reduction})

Deaths Part 2 – Question 3

Calculation

- (1) Lump sum death benefit (refund of contributions of **£53,633.02** plus life assurance of **£146,750.00** since death in service after NPD) of **£200,383.02** payable at Trustees' Discretion – [LTA used = **19.45%**]
- PLUS**
- (2) Spouse's pension of **£5,470.56 p.a.** (pre-2006 = **£964.50 p.a.** and post-2006 = **£4,506.06 p.a.**)

Deaths Part 2 – Question 4

Calculation

- (1) Lump sum death benefit (refund of contributions of **£28,393.20** plus refund of value of AVCs of **£56,350.98** since death in deferment {Category A}) of **£84,744.18** payable to Legal Personal Representatives / Estate – [LTA used = **8.22%**]
- PLUS**
- (2) Spouse's pension of **£10,720.83 p.a.** (excess over WGMP = **£8,315.31 p.a.** and post-1988 WGMP = **£2,405.52 p.a.**)

Deaths Part 2 - Question 5

Calculation

- (1) Lump sum death benefit (refund of Personal Retirement Account only since death in deferment) of **£144,259.92** payable to Legal Personal Representatives / Estate – [LTA used = **14.00%**]

Retirements Part 1 – Question 1

Calculation

Options

- (1) Full pension of **£14,375.46 p.a.** {vs *Underpin pension of £11,289.17 p.a.*} (pre-2006 = **£6,509.23 p.a.** and post-2006 = **£7,866.23 p.a.**) with a spouse's pension of **£5,750.18 p.a.** (pre-2006 = **£2,603.69 p.a.** and post-2006 = **£3,146.49 p.a.**) – [LTA used = **27.91%**]

OR

- (2) Pension commencement lump sum of **£65,305.53** – [LTA used = **6.34%**]

PLUS

Residual pension of **£9,795.83 p.a.** (pre-2006 = **£6,509.23 p.a.** and post-2006 = **£3,286.60 p.a.**) with a spouse's pension of **£5,750.18 p.a.** (pre-2006 = **£2,603.69 p.a.** and post-2006 = **£3,146.49 p.a.**) – [LTA used = **19.02%**]

Letter: Question 6 – (Relating to Question 1)

- (1) Date of retirement:
- **04/03/2019**
- (2) Options available:
- Full pension = **£14,375.46 p.a.**, which is split as follows:
- Pre-2006 = **£6,509.23 p.a.**
- Post-2006 = **£7,866.23 p.a.**
OR
- Pension commencement lump sum [PCLS] = **£65,305.53**, **PLUS**
- Residual pension = **£9,795.83 p.a.**, which is split as follows:
- Pre-2006 = **£6,509.23 p.a.**
- Post-2006 = **£3,286.60 p.a.**
- (3) Details of pension:
- Commencement date = **01/04/2019**
- 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 = **£5,750.18 p.a.**
- (5) Must mention potential young spouse reduction (as spouse greater than 10 years younger)
- (6) Must mention LSDB payable on death within 5 years of retirement

- (7) Lifetime allowance:
- Percentage used by full pension = **27.91%**
- OR*
- Percentage used by PCLS = **6.34%** and percentage used by residual pension = **19.02%**
- (8) Action required:
- Choice of option
 - Member's birth certificate
 - Bank details

Retirements Part 1 – Question 2

Calculation

Options

- (1) Full pension of **£36,600.48 p.a.** (excess over GMP = **£31,894.48 p.a.**, pre-1988 GMP = **£403.52 p.a.** and post-1988 GMP = **£4,302.48 p.a.**) with a spouse's pension of **£18,300.24 p.a.** – [LTA used = **71.06%**]

OR

- (2) Pension commencement lump sum of **£161,037.13** – [LTA used = **15.63%**]

PLUS

Residual pension of **£24,155.57 p.a.** (excess over GMP = **£19,449.57 p.a.**, pre-1988 GMP = **£403.52 p.a.** and post-1988 GMP = **£4,302.48 p.a.**) with a spouse's pension of **£18,300.24 p.a.** – [LTA used = **46.90%**]

Retirements Part 1 – Question 3

Calculation

Options

- (1) Full pension of **£7,592.58 p.a.** {vs CARE pension of **£7,128.80 p.a.**} (pre-2006 = **£1,018.00 p.a.** and post-2006 = **£6,574.58 p.a.**) with a spouse's pension of **£3,037.03 p.a.** (pre-2006 = **£407.20 p.a.** and post-2006 = **£2,629.83 p.a.**) – [LTA used = **14.74%**]

OR

- (2) Pension commencement lump sum of **£34,129.51** – [LTA used = **3.31%**]

PLUS

Residual pension of **£5,119.43 p.a.** (pre-2006 = **£1,018.00 p.a.** and post-2006 = **£4,101.43 p.a.**) with a spouse's pension of **£3,037.03 p.a.** (pre-2006 = **£407.20 p.a.** and post-2006 = **£2,629.83 p.a.**) – [LTA used = **9.94%**]

Retirements Part 1 – Question 4

Calculation

Value of Personal Retirement Account = **£224,819.12**

Options

- (1) Pension commencement lump sum of **£56,204.78** – [LTA used = **5.45%**]

PLUS

Pension of **£10,819.63 p.a.** (non-increasing) with spouse's pension of **£5,409.82 p.a.** – [LTA used = **16.37%**] – {Annuity Bureau Charge of **£84.31**}

OR

- (2) Pension commencement lump sum of **£56,204.78** – [LTA used = **5.45%**]

PLUS

Pension of **£7,263.64 p.a.** (increasing at lower of 5.0% / RPI) with spouse's pension of **£3,631.82 p.a.** – [LTA used = **16.37%**] – {Annuity Bureau Charge of **£84.31**}

OR

- (3) Single Uncrystallised Funds Pension Lump Sum of **£224,819.12** (tax-free element = **£56,204.78** and taxable element = **£168,614.34**, which is taxed at member's marginal rate and paid assuming an Emergency Code on a Month 1 basis) – [LTA used = **21.82%**]

OR

- (4) Open Market Option

Retirements Part 1 – Question 5

Calculation

Options

- (1) Full pension of **£12,633.22 p.a.** with a spouse's pension of **£6,316.61 p.a.** – [LTA used = **24.53%**]

OR

(2) Pension commencement lump sum of **£58,637.79** – [LTA used = **5.69%**]

PLUS

Residual pension of **£8,795.67 p.a.** with a spouse's pension of **6,361.61 p.a.** – [LTA used = **17.07%**]

Retirements Part 2 – Question 1

Calculation

Options

(1) Full pension of **£23,442.27 p.a.** {vs *Underpin pension of £19,528.13 p.a.*} (pre-2006 = **£9,191.57 p.a.** and post-2006 = **£14,250.70 p.a.**) with a spouse's pension of **£9,376.91 p.a.** (pre-2006 = **£3,676.63 p.a.** and post-2006 = **£5,700.28 p.a.**) – [LTA used = **45.51%**]

OR

(2) Pension commencement lump sum of **£110,275.97** – [LTA used = **10.70%**]

PLUS

Residual pension of **£16,541.40 p.a.** (pre-2006 = **£9,191.57 p.a.** and post-2006 = **£7,349.83 p.a.**) with a spouse's pension of **£9,376.91 p.a.** (pre-2006 = **£3,676.63 p.a.** and post-2006 = **£5,700.28 p.a.**) – [LTA used = **32.11%**]

Retirements Part 2 - Question 2

Calculation

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

(1A) Full pension of **£12,502.24 p.a.** [plus AVC pension of **£1,614.62 p.a.** = total pension of **£14,116.86 p.a.**] with a spouse's pension of **£6,251.12 p.a.** – [LTA used = **27.41%**]

OR

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

(1B) Full pension of **£12,502.24 p.a.** [plus AVC pension of **£1,342.76 p.a.** = total pension of **£13,845.00 p.a.**] with a spouse's pension of **£6,251.12 p.a.** [plus AVC pension of **£671.38 p.a.** = total pension of **£6,922.50 p.a.**] – [LTA used = **26.88%**]

OR

Option 2 – Pension and Cash

- (2) Pension commencement lump sum of **£50,000.00** (including AVC cash of **£39,847.25**) – [LTA used = **4.85%**]

PLUS

Residual pension of **£11,766.53 p.a.** with a spouse's pension of **£6,251.12 p.a.** – [LTA used = **22.84%**]

Retirements Part 2 – Question 3

Calculation

Value of Personal Retirement Account = **£361,679.28** (including unallocated Transfer in of **£58,940.20**)

Option 1 – No Cash and Annuity

- (1) Pension of **£25,521.79 p.a.** (increasing at lower of 2.5% / RPI) with spouse's pension of **£12,760.90 p.a.** – [LTA used = **35.11%**] – {Annuity Bureau Charge of **£180.84**}

OR

Option 2 – Cash and Annuity

- (2) Pension commencement lump sum of **£90,419.82** – [LTA used = **8.77%**]

PLUS

Pension of **£27,356.39 p.a.** (non-increasing – NO spouse's pension) – [LTA used = **26.33%**] – {Annuity Bureau Charge of **£180.84**}

OR

- (3) Uncrystallised Funds Pension Lump Sum of **£361,679.28** (tax-free element = **£90,419.82** and taxable element = **£271,259.46**, which is taxed at member's marginal rate and paid assuming an Emergency Code on a Month 1 basis) – [LTA used = **35.11%**]

OR

- (4) Open Market Option

Retirements Part 2 – Question 4

Calculation

Options

- (1) Full pension of **£17,660.42 p.a.** {vs *Underpin pension of £10,270.00 p.a.*} (pre-2006 = **£2,853.49 p.a.** and post-2006 = **£14,806.93 p.a.**) with a spouse's pension of **£7,064.17 p.a.** (pre-2006 = **£1,141.40 p.a.** and post-2006 = **£5,922.77 p.a.**) – [LTA used = **34.29%**]

OR

- (2) Pension commencement lump sum of **£79,385.60** – [LTA used = **7.70%**]

PLUS

Residual pension of **£11,907.84 p.a.** (pre-2006 = **£2,853.49 p.a.** and post-2006 = **£9,054.35 p.a.**) with a spouse's pension of **£7,064.17 p.a.** (pre-2006 = **£1,141.40 p.a.** and post-2006 = **£5,922.77 p.a.**) – [LTA used = **23.12%**]

Retirements Part 2 – Question 5

Calculation

Options

- (1) Full pension of **£36,485.47 p.a.** (excess over GMP = **£36,174.51 p.a.** and post-1988 GMP = **£310.96 p.a.**) with a spouse's pension of **£18,242.74 p.a.** – [LTA used = **70.84%**]

OR

- (2) Pension commencement lump sum of **£169,281.93** – [LTA used = **16.43%**]

PLUS

Residual pension of **£25,392.29 p.a.** (excess over GMP = **£25,081.33 p.a.** and post-1988 GMP = **£310.96 p.a.**) with a spouse's pension of **£18,242.74 p.a.** – [LTA used = **49.30%**]

Letter: Question 6 – (Relating to Question 5)

- (1) Date of retirement:
- **05/03/2019**
- (2) Options available:
- Full pension = **£36,485.47 p.a.**, which is split as follows:
- Excess over GMP = **£36,174.51 p.a.**
- Post-1988 GMP = **£310.96 p.a.**

OR

- Pension commencement lump sum [PCLS] = **£169,281.93**, PLUS
 - Residual pension = **£25,392.29 p.a.**, which is split as follows:
 - Excess over GMP = **£25,081.33 p.a.**
 - Post-1988 GMP = **£310.96 p.a.**
- (3) Details of pension:
- Commencement date = **01/04/2019**
 - 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 (**£18,242.74 p.a.**)
- (5) Must mention varied accrual rates
- (6) Must mention LSDB payable on death within 5 years of retirement
- (7) Lifetime allowance:
- Percentage used by full pension = **70.84%**
- OR
- Percentage used by PCLS = **16.43%** and percentage used by residual pension = **49.30%**
- (8) Action required:
- Choice of option
 - Member's birth certificate
 - Bank details

Transfers – Question 1

Calculation

Total Transfer Value of **£135,136.47**, which includes the post-1997 Transfer Value of **£108,614.88** (member additionally has an AVC Fund Value of **£10,591.22**) – *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 **£35,854.43** (including **£5,095.68** in respect of AVCs), which is split between Funds and Contribution Types as follows:

Global Equity Fund – (Lifestyle)

Member Contributions	-	£5,834.85
Employer Contributions	-	£9,335.76
AVCs	-	£2,442.13
Total	-	£17,612.74

Index Linked Bond Fund – (Lifestyle)

Member Contributions	-	£2,370.98
Employer Contributions	-	£3,793.56
AVCs	-	£992.36
Total	-	£7,156.90

Cash Fund – (Lifestyle)

Member Contributions	-	£615.11
Employer Contributions	-	£984.18
AVCs	-	£257.45
Total	-	£1,856.74

Balanced Fund – (non-Lifestyle)

Member Contributions	-	£3,009.35
Employer Contributions	-	£4,814.96
AVCs	-	£1,403.74
Total	-	£9,228.05

Transfers – Question 3

Calculation

Total Transfer Value of **£111,982.08**, which includes the post-1997 Transfer Value of **£89,250.55** (member additionally has an AVC Fund Value of **£11,792.33**) – *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 = **£111,982.08**
- (2) Total Transfer Value *including* AVCs = **£123,774.41** {of which AVCs = **£11,792.33**}
- (3) Post-1997 element of Transfer Value = **£89,250.55**
- (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 **£10,226.16 p.a.** (including post-1997 pension of **£9,765.70 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

Transfers – Question 5

Calculation

The Transfer-in of **£18,191.77** would buy units in the member's Personal Retirement Account split between Funds and Contribution Types as follows:

Global Equity Fund – (Lifestyle)

Member Contributions	-	1,111.0790 units
Employer Contributions	-	197.4362 units
AVCs	-	841.9285 units
Total	-	2,150.4437 units

Index Linked Bond Fund – (Lifestyle)

Member Contributions	-	2,064.3818 units
Employer Contributions	-	366.8360 units
AVCs	-	1,564.3009 units
Total	-	3,995.5187 units

Cash Fund – (Lifestyle)

Member Contributions	-	884.5239 units
Employer Contributions	-	157.1779 units
AVCs	-	670.2546 units
Total	-	1,711.9564 units

Letter: Question 8 – (Relating to Question 5)

- (1) Transfer Value = **£18,191.77**
 - Member's contributions = **£9,399.22**
 - Employer's contributions = **£1,670.22**
 - AVCs = **£7,122.33**
- (2) Global Equity Fund – *Lifestyle* = **2,150.4437 units**
 - Member's contributions = **1,111.0790 units**
 - Employer's contributions = **197.4362 units**
 - AVCs = **841.9285 units**

- (3) Index Linked Bond Fund (*Lifestyle*) = **3,995.5187 units**
 - Member's contributions = **2,064.3818 units**
 - Employer's contributions = **366.8360 units**
 - AVCs = **1,564.3009 units**
- (4) Cash Fund – (*Lifestyle*) = **1,711.9564 units**
 - Member's contributions = **884.5239 units**
 - Employer's contributions = **157.1779 units**
 - AVCs = **670.2546 units**
- (5) Must mention that transferred-in benefits are invested in 'Lifestyle Fund' (*but no requirement to specifically derive or actually show Lifestyle units*)
- (6) Must penalise if financial advice 'actually' given
- (7) Must penalise if member's written authority to proceed mentioned (as transfer in has already occurred and written authority has already been received)
- (8) Must penalise if 'Guarantee' period mentioned (as not relevant for OPQ Retirement & Death Benefits Plan and transfer in has already occurred)
- (9) Must mention that no benefits remain in previous scheme
- (10) Must mention that benefits are subject to rules of OPQ Retirement & Death Benefits Plan

Transfers – Question 6

Calculation

- (1) At NPD, a pension of **£3,499.00 p.a.** (including excess pension of **£3,050.76 p.a.** and post-1988 GMP of **£448.24 p.a.** {and including post-1997 pension of **£2,325.77 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
