THE CHARTERED INSURANCE INSTITUTE

CII

AF7

Advanced Diploma in Financial Planning

Unit AF7 – Pension transfers

EXEMPLAR 2017/2018

Based on the 2017/2018 syllabus and 2017/2018 Tax Tables examined until 31 August 2018

SPECIAL NOTICES

All questions in this paper are based on English law and practice applicable in the tax year 2017/2018, unless stated otherwise in the question, and should be answered accordingly.

It should be assumed that all individuals are domiciled and resident in the UK unless otherwise stated.

Candidates entered for the October 2017 examination should study this exemplar carefully in order to prepare themselves for the examination.

Practice in answering the questions is highly desirable and should be considered a critical part of a properly planned programme of examination preparation.

Instructions

- Two hours are allowed for this paper.
- **Do not begin writing until the invigilator instructs you to.**
- **Read the instructions on page 3 carefully before answering any questions.**
- Provide the information requested on the answer book and form B.
- You are allowed to write on the inside pages of this question paper, but you must **NOT** write your name, candidate number, PIN or any other identification anywhere on this question paper.
- The answer book and this question paper must **both be handed in personally by you** to the invigilator before you leave the examination room. **Failure to comply with this regulation will result in your paper not being marked and you may be prevented from entering this examination in the future.**

AF7 – Pension transfers

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Unit AF7 – Pension transfers

Instructions to candidates

Read the instructions below before answering any questions

Two hours are allowed for this paper which carries a total of 100 marks as follows:

Section A: 34 marks
Section B: 66 marks

- You are strongly advised to attempt **all** questions to gain maximum possible marks. The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- You may find it helpful in some places to make rough notes in the answer booklet. If you do this, you should cross through these notes before you hand in the booklet.
- It is important to show all steps in a calculation, even if you have used a calculator.
- If you bring a calculator into the examination room, it must be a silent, battery or solar-powered, non-programmable calculator. The use of electronic equipment capable of being programmed to hold alphabetic or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements.
- Tax tables are provided at the back of this question paper.
- Answer each question on a new page and leave six lines blank after each question part.

Subject to providing sufficient detail you are advised to be as brief and concise as possible, using note format and short sentences on separate lines wherever possible.

SECTION A

The following questions are compulsory and carry a total of 34 marks

1. Explain the meaning of the term 'hurdle rate' in the context of defined benefit pension transfer advice and how it is different from 'critical yield'. **(12)**

2. Sanjay is a member of a defined benefit pension scheme and is about to reach his normal pension age under the scheme. He is considering his retirement options but is concerned about the future security of his benefits as he is aware that the sponsoring employer is in financial difficulty.

(a) Outline the criteria that must be met for the Pension Protection Fund (PPF) to assume responsibility for the scheme. **(4)**

(b) Outline the protection that would be provided in respect of Sanjay's benefits, assuming the scheme enters the PPF and Sanjay has taken his benefits at normal pension age. **(4)**

3. A financial adviser has recommended a pension transfer from a defined benefit scheme to a personal pension scheme.

State the main documentation the adviser would retain on file to demonstrate compliance with regulatory requirements for pension transfer advice. **(6)**

4. Arthur will reach age 65 in two months and has a retirement annuity policy valued at £120,000. The policy offers a guaranteed annuity rate of 8.5% but only on a single life basis, paid annually in arrears with no escalation. He is married to Theresa and one of his objectives is to provide financial security for her in the event of his death.

(a) Outline the factors that should be considered by Arthur before transferring to a personal pension to access his pension benefits flexibly. **(6)**

(b) State **two** other options that should be considered before transferring Arthur's fund. **(2)**

Total marks available for this question: 34

Section B questions can be found on pages 6 – 9

SECTION B

All questions in this section are compulsory and carry an overall total of 66 marks

Case study 1

Steve, aged 46, is married to Daniella, aged 41 and they have two children, aged six and four.

Steve is a deferred member of a defined benefit pension scheme. Two years ago, Steve received financial advice in respect of a potential transfer into a personal pension scheme. At that time, the transfer analysis critical yield was 9% and Steve's attitude to risk was cautious. He was advised not to transfer. The details of his deferred benefits are as follows:

Date of joining scheme	January 1992
Date of leaving scheme	January 2014
Total pension at date of leaving	£14,750 per annum
Spouse’s pension	50% in deferment and in retirement
Children’s pension	25% per child in deferment and in retirement
Increases in deferment	Statutory minimum
Increases to pension in payment	Statutory minimum
Normal pension age	65
Early retirement available from age	Trustees discretion only on application

In January 2016, Steve set up his own business and estimates his net profit to be £40,000 in the current tax year 2017/2018. He intends to continue with some form of retirement provision but has not yet set-up any pension arrangements. Since setting up his own business Steve feels he now has a more adventurous attitude to investment risk.

Steve would like to fully retire by age 65 and hopes that his existing deferred arrangement will be sufficient to meet most of his target retirement income of £25,000 per annum. He would like to reduce his time spent at work gradually from age 55 onwards. Steve is also concerned about the death benefits available to his wife and children.

Steve has recently requested a new Cash Equivalent Transfer Value (CETV) from his pension scheme and has noted that it has increased from two years ago.

Questions

5. Outline the actions a financial adviser would take when assessing Steve's current pension provision against his target retirement income. **(5)**

6. State **five** potential reasons that may have caused the increase in Steve's CETV. **(5)**

7. Based upon Steve and Daniella's current position and long-term objectives, identify **six** benefits of transferring into a personal pension and **six** benefits of remaining in the defined benefit scheme. **(12)**

8. Outline briefly the potential death benefit options and their tax treatment should Steve die before taking any pension benefits, if payable from;

(a) the existing defined benefit scheme; **(3)**

(b) a personal pension plan should Steve decide to transfer. **(5)**

Total marks available for this question: 30

Case study 2

Marko, aged 61, is married to Sue, aged 63 and they have two financially independent children, aged 25 and 22.

Marko has deferred benefits under a private sector defined benefit scheme. The details are as follows.

Date of joining scheme	January 1988
Date of leaving scheme	January 2008
Total pension at date of leaving	£12,000 per annum
Spouse's pension	50% in deferment and in retirement
Increases in deferment	Statutory minimum
Increases to pension in payment	Statutory minimum
Normal pension age	65
Early retirement available from age	60, subject to 4% per annum early retirement reduction
Current cash equivalent transfer value	£380,000

Since leaving service in 2008, Marko has been running his own business. He has an adventurous attitude to risk and is prepared to give up any guarantees from his deferred scheme to provide flexibility for himself and his family. Sue has a cautious attitude to risk and has little knowledge or experience of investing.

He has accumulated £250,000 of investment capital and is prepared to use this to help fund his retirement objectives. In addition, he has recently inherited a property, valued at £400,000. Marko has expressed an interest in renting out this property to supplement his retirement income.

Marko is planning to sell his business and retire within the next twelve months. In anticipation of this, he has read product literature from pension providers about the flexibilities offered by personal pension plans. He is keen to explore the potential benefits and drawbacks of transferring his deferred benefits into a new personal pension. A transfer analysis system has produced the following results:

TVAS Output	**Age 65**	**Age 62**
Scheme Pension	£15,312	£13,475
Critical Yield	9.85%	38.32%
Hurdle Rate	-3.6%	-19.53%
Age fund runs out at medium rate of return	102	99

The TVAS report also shows that Marko has a normal life expectancy of 87 and Sue has a life expectancy of 85. He is keen to ensure that Sue and their children have flexibility in the event of his death.

Questions

9. Explain briefly the limitations of relying solely upon a critical yield when assessing a potential defined benefit pension transfer, especially when there is less than twelve months to selected pension age. **(6)**

10. Explain, in detail, the main **drawbacks** of Marko transferring out of his deferred scheme. **(12)**

11. Identify **twelve** factors that suggest a transfer may be suitable for Marko, based on the information provided in the case study. **(12)**

12. State **six** areas that should be reviewed on an annual basis to ensure that the ongoing risks of this course of action are monitored and managed effectively, should a transfer to a personal pension proceed. **(6)**

Total marks available for this question: 36

AF7 - Exemplar 2017/2018 - model answers

SECTION A

1. The 'hurdle rate' is the annual investment return required after charges, to provide a capital sum sufficient to purchase a single life level annuity, with no guarantee period that matches the initial level of scheme pension payable from scheme normal pension age.

The 'critical yield' also includes the capital cost of future escalation for the pension in payment, dependant's benefits and any guaranteed period.

2. **(a)**
- An employer must suffer insolvency event and have no chance of being rescued.
- There must be insufficient assets in the scheme to secure pension benefits on wind up that are at least equal to the compensation that the PPF would provide.

(b)
- Sanjay would receive 100% of his pension income, however, the escalation would be restricted to CPI capped at 2.5% in relation to post-97 benefits only.
- There would be a spouse's pension of a maximum of 50% of the member's pension in payment.

3. *Candidates will be awarded full marks for any six of the following:*
- Fact-find questionnaire.
- Disclosure documentation.
- Transfer Value Analysis System (TVAS) report.
- Cash Equivalent Transfer Value (CETV) Statement of Entitlement.
- Statement of pension entitlement and scheme information.
- Personal pension research, illustration and key features documentation.
- Suitability report.
- Proof of pension transfer specialist sign-off.

4. **(a)**
- Arthur's willingness and ability to give up guarantees and take investment risk.
- Health, lifestyle and life expectancy of Arthur and Theresa.
- Requirement for advice and the cost of advice.
- Target income v Guaranteed Annuity Rate (GAR) v open market annuity rates.
- Death benefits available.
- Other assets and pension arrangements.

(b)
- Investigate other options and structures with his existing provider.
- Take benefits and use part of income to pay for life assurance.

SECTION B

Case study 1

5.
- Confirm whether £25,000 is in today's money or at his selected pension age, and if in today's money then increase this to selected pension age by agreed inflation factor.
- Obtain projection from pension scheme to selected pension age and compare projected pension income with target amount.
- Check and confirm State Pension Age and obtain State Pension projection.
- Calculate funding required to achieve target income amount.

6.
- Scheme funding position may have improved.
- Scheme discounting rates may be reduced.
- The scheme annuity interest rate may be lower.
- Higher future inflation assumption.
- Shorter time to normal pension age.

7. **Benefits of transferring into a personal pension:**
- Able to retire at selected retirement age.
- Flexible retirement income and lump sum death benefit options.
- Tax-free death benefits on death before age 75.
- His wife and children can be nominated to benefit from the full fund on his death and they can appoint their own successors.
- Pension commencement lump sum may be higher or could be used during phased work reduction for tax efficiency.
- Potential investment growth may exceed critical yield as has adventurous attitude to risk.

Benefits of remaining in defined benefit scheme:
- Guaranteed income for life.
- Guaranteed revaluation and escalation.
- No exposure to investment or longevity risk.
- Simple to understand and administer with no ongoing advice and related cost required.
- Spouse and children pensions included.
- Protection provided by Pension Protection Fund.

8. **(a)**
- Spouse and dependants pensions taxable;
- on recipient as earned income.
- Tax-free refund of contributions as a lump sum.

(b)
- Entire fund payable as a lump sum.
- Dependants or nominees lifetime annuity.
- Dependants or nominees flexi-access drawdown.
- All benefits tax-free;
- as death before age 75

Case study 2

9.
- One dimensional figure at a fixed point in time and assumes lifetime annuity purchase in the format matching the scheme benefits.
- Cannot compare to enhanced annuity rate if in ill health.
- Does not take into account death benefit considerations.
- Soft-facts and client circumstances and objectives not considered.
- Less than 12 months is short-time period and not enough time to absorb initial advice and product costs, therefore the critical yields is distorted.

10.
- Loss of guaranteed income for Marko and Sue.
- Exposure to investment risk until and beyond retirement.
- Loss of guaranteed future escalation.
- Loss of protection provided by pension protection fund.
- Exposure to investment and longevity risk.
- Exposure to shortfall and sequencing risk.
- Current annuity rate not competitive with deferred benefit.
- Exposure to potentially fluctuating market annuity rates.
- Annuity rates low at current age.
- Complex and requires on-going monitoring and financial advice.
- Sue is cautious and does not share Marko's adventurous attitude to risk, therefore a transfer may not be suitable for Sue in the event of Marko's death due to her lack of experience.

11.
- Can retire at intended retirement date of 62;
- without scheme early retirement penalty.
- Fund sustainable beyond life expectancy at medium rate of return.
- Medium rate of return achievable within his risk profile.
- He would be willing to give up guarantees and take on risks.
- Critical yield not crucial to transfer as Marko planning immediate crystallisation.
- Flexible income and death benefits.
- Nominees and Successors benefits available.
- Used to making decisions on his own account.
- Likely to have capacity for loss.
- Other assets available to produce income.

12.
- Income requirements.
- Investment performance against a relevant benchmark.
- Expected returns and long-term sustainability of income.
- Cashflow analysis and stress testing.
- Attitude to risk and capacity for loss.
- Review of overall financial position to account for changes.

The tax tables can be found on pages 14 – 23

INCOME TAX

RATES OF TAX	2016/2017	2017/2018
Starting rate for savings*	0%	0%
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Starting-rate limit	£5,000*	£5,000*
Threshold of taxable income above which higher rate applies	£32,000	£33,500
Threshold of taxable income above which additional rate applies	£150,000	£150,000
Child benefit charge from 7 January 2013:		
1% of benefit for every £100 of income over	£50,000	£50,000

**not applicable if taxable non-savings income exceeds the starting rate band.*

Dividend Allowance		£5,000
Dividend tax rates		
Basic rate		7.5%
Higher rate		32.5%
Additional rate		38.1%
Trusts		
Standard rate band		£1,000
Rate applicable to trusts		
- dividends		38.1%
- other income		45%

MAIN PERSONAL ALLOWANCES AND RELIEFS		
Income limit for Personal Allowance §	£100,000	£100,000
Personal Allowance (basic)	£11,000	£11,500
Married/civil partners (minimum) at 10% †	£3,220	£3,260
Married/civil partners at 10% †	£8,355	£8,445
Transferable tax allowance for married couples/civil partners	£1,100	£1,150
Income limit for age-related allowances†	£27,700	£28,000
Rent a Room relief	£4,250	£7,500
Blind Person's Allowance	£2,290	£2,320
Enterprise Investment Scheme relief limit on £1,000,000 max	30%	30%
Seed Enterprise Investment relief limit on £100,000 max	50%	50%
Venture Capital Trust relief limit on £200,000 max	30%	30%

§ the Personal Allowance reduces by £1 for every £2 of income above the income limit irrespective of age (under the income threshold).
† where at least one spouse/civil partner was born before 6 April 1935.

Child Tax Credit (CTC)		
- Child element per child (maximum)	£2,780	£2,780
- family element	£545	£545
Threshold for tapered withdrawal of CTC	£16,105	£16,105

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 Employee	**Weekly**
Lower Earnings Limit (LEL)	£113
Primary threshold	£157
Upper Earnings Limit (UEL)	£866

Total earnings £ per week	**CLASS 1 EMPLOYEE CONTRIBUTIONS**
Up to 157.00*****	Nil
157.01 – 866.00	12%
Above 866.00	2%

**This is the primary threshold below which no NI contributions are payable. However, the lower earnings limit is £113 per week. This £113 to £157 band is a zero-rate band introduced in order to protect lower earners' rights to contributory State benefits e.g. the new State Pension.*

Total earnings £ per week	**CLASS 1 EMPLOYER CONTRIBUTIONS**
Below 157.00**	Nil
157.01 – 866.00	13.8%
Excess over 866.00	13.8%

*** Secondary earnings threshold.*

Class 2 (self-employed)	Flat rate per week £2.85 where profits exceed £6,025 per annum.
Class 3 (voluntary)	Flat rate per week £14.25.
Class 4 (self-employed)	9% on profits between £8,164 - £45,000. 2% on profits above £45,000.

PENSIONS

TAX YEAR	LIFETIME ALLOWANCE
2006/2007	£1,500,000
2007/2008	£1,600,000
2008/2009	£1,650,000
2009/2010	£1,750,000
2010/2011	£1,800,000
2011/2012	£1,800,000
2012/2013	£1,500,000
2013/2014	£1,500,000
2014/2015	£1,250,000
2015/2016	£1,250,000
2016/2017	£1,000,000
2017/2018	£1,000,000

LIFETIME ALLOWANCE CHARGE

55% of excess over lifetime allowance if taken as a lump sum.

25% of excess over lifetime allowance if taken in the form of income, which is subsequently taxed under PAYE.

ANNUAL ALLOWANCE

TAX YEAR	ANNUAL ALLOWANCE
2011/2012	£50,000
2012/2013	£50,000
2013/2014	£50,000
2014/2015	£40,000
2015/2016	£40,000~
2016/2017	£40,000*
2017/2018	£40,000*

~ increased to £80,000 for pension input between April - 8 July 2015. If not used, can be carried forward to pension input period of 9 July 2015 - 6 April 2016, subject to a maximum of £40,000.

**tapered at a rate of £1 for every £2 of adjusted income in excess of £150,000 where threshold income exceeds £110,000.*

MONEY PURCHASE ANNUAL ALLOWANCE	2016/2017	2017/2018
	£10,000	£10,000

ANNUAL ALLOWANCE CHARGE

20% - 45% determined by the member’s taxable income and the amount of total pension input in excess of the annual allowance or money purchase annual allowance.

CAPITAL GAINS TAX

EXEMPTIONS	2016/2017	2017/2018
Individuals, estates etc	£11,100	£11,300
Trusts generally	£5,550	£5,650
Chattels proceeds (restricted to five thirds of proceeds exceeding limit)	£6,000	£6,000

TAX RATES	2016/2017	2017/2018
Individuals:		
Up to basic rate limit	10%	10%
Above basic rate limit	20%	20%
Surcharge for residential property and carried interest	8%	8%
Trustees and Personal Representatives	20%	20%
Entrepreneurs' Relief* – Gains taxed at:	10%	10%
Lifetime limit	£10,000,000	£10,000,000

**For trading businesses and companies (minimum 5% employee or director shareholding) held for at least one year.*

INHERITANCE TAX

RATES OF TAX ON TRANSFERS	2016/2017	2017/2018
Transfers made on death after 5 April 2015		
- Up to £325,000	Nil	Nil
- Excess over £325,000	40%	40%
Transfers made after 5 April 2015		
- Lifetime transfers to and from certain trusts	20%	20%

A lower rate of 36% applies where at least 10% of deceased's net estate is left to a registered charity.

MAIN EXEMPTIONS

Transfers to		
- UK-domiciled spouse/civil partner	No limit	No limit
- non-UK-domiciled spouse/civil partner (from UK-domiciled spouse)	£325,000	£325,000
- main residence nil rate band*	£100,000	£100,000
- UK-registered charities	No limit	No limit

**Available for estates up to £2,000,000 and then tapered at the rate of £1 for every £2 in excess until fully extinguished*

Lifetime transfers		
- Annual exemption per donor	£3,000	£3,000
- Small gifts exemption	£250	£250
Wedding/civil partnership gifts by		
- parent	£5,000	£5,000
- grandparent/bride and/or groom	£2,500	£2,500
- other person	£1,000	£1,000

100% relief: businesses, unlisted/AIM companies, certain farmland/building
50% relief: certain other business assets

Reduced tax charge on gifts within 7 years of death:					
- Years before death	0-3	3-4	4-5	5-6	6-7
- Inheritance Tax payable	100%	80%	60%	40%	20%

Quick succession relief:					
- Years since IHT paid	0-1	1-2	2-3	3-4	4-5
- Inheritance Tax relief	100%	80%	60%	40%	20%

CAR BENEFIT FOR EMPLOYEES

The charge for company car benefits is based on the carbon dioxide (CO_2) emissions. There is no reduction for high business mileage users.

For 2017/2018:

- The percentage charge is 9% of the car's list price for CO_2 emissions of 50g/km or less.
- For cars with CO_2 emissions of 51g/km to 75g/km the percentage is 13%.
- For cars with CO_2 emissions of 76g/km to 94g/km the percentage is 17%.
- Cars with CO_2 emissions of 95g/km have a percentage charge of 18% and thereafter the charge increases by 1% for every complete 5g/km to a maximum of 37% (emissions of 200g/km and above).

There is an additional 3% supplement for diesel cars not meeting Euro IV emission standards. However, the maximum charge remains 37% of the car's list price.

Car fuel The benefit is calculated as the CO_2 emissions % relevant to the car and that % applied to a set figure (£22,600 for 2017/2018) e.g. car emission 100g/km = 17% on car benefit scale. 17% of £22,600 = £3,842.

1. **Accessories** are, in most cases, included in the list price on which the benefit is calculated.
2. **List price** is reduced for capital contributions made by the employee up to £5,000.
3. **Car benefit** is reduced by the amount of employee's contributions towards running costs.
4. **Fuel scale** is reduced only if the employee makes good **all** the fuel used for private journeys.
5. **All car and fuel benefits** are subject to employers National Insurance contribution's (Class 1A) of 13.8%.

PRIVATE VEHICLES USED FOR WORK

	2016/2017 Rates	2017/2018 Rates
Cars		
On the first 10,000 business miles in tax year	45p per mile	45p per mile
Each business mile above 10,000 business miles	25p per mile	25p per mile
Motor Cycles	24p per mile	24p per mile
Bicycles	20p per mile	20p per mile

MAIN CAPITAL AND OTHER ALLOWANCES

	2016/2017	2017/2018
Plant & machinery (excluding cars) 100% annual investment allowance (first year)	£200,000	£200,000
Plant & machinery (reducing balance) per annum	18%	18%
Patent rights & know-how (reducing balance) per annum	25%	25%
Certain long-life assets, integral features of buildings (reducing balance) per annum	8%	8%
Energy & water-efficient equipment	100%	100%
Zero emission goods vehicles (new)	100%	100%
Qualifying flat conversions, business premises & renovations	100%	100%

Motor cars: Expenditure on or after 01 April 2016 (Corporation Tax) or 06 April 2016 (Income Tax)

CO_2 emissions of g/km:	75 or less*	76-130	131 or more
Capital allowance:	100% first year	18% reducing balance	8% reducing balance

**If new*

MAIN SOCIAL SECURITY BENEFITS

		2016/2017	2017/2018
		£	£
Child Benefit	First child	20.70	20.70
	Subsequent children	13.70	13.70
	Guardian's allowance	16.55	16.70
Employment and Support Allowance	Assessment Phase		
	Age 16 – 24	Up to 57.90	Up to 57.90
	Aged 25 or over	Up to 73.10	Up to 73.10
	Main Phase		
	Work Related Activity Group	Up to 102.15	Up to 102.15
	Support Group	Up to 109.30	Up to 109.65
Attendance Allowance	Lower rate	55.10	55.65
	Higher rate	82.30	83.10
basic State Pension	Single	119.30	122.30
	Married	190.80	195.60
new State Pension	Single	155.65	159.55
Pension Credit	Single person standard minimum guarantee	155.60	159.35
	Married couple standard minimum guarantee	237.55	243.25
	Maximum savings ignored in calculating income	10,000.00	10,000.00
Bereavement Payment Support Payment*		2,000.00	2,000.00
Higher rate - lump sum		N/A	3,500.00
Higher rate - monthly payment		N/A	350.00
Standard rate – lump sum		N/A	2,500.00
Standard rate – monthly payment		N/A	100.00
Jobseekers Allowance	Age 18 - 24	57.90	57.90
	Age 25 or over	73.10	73.10
Statutory Maternity, Paternity and Adoption Pay		139.58	140.98

*Only applicable where spouse or civil partner died on or after 6 April 2007**

CORPORATION TAX

	2016/2017	2017/2018
Standard rate	20%	19%

VALUE ADDED TAX

	2016/2017	2017/2018
Standard rate	20%	20%
Annual registration threshold	£83,000	£85,000
Deregistration threshold	£81,000	£83,000

STAMP DUTY LAND TAX

	Residential
Value up to £125,000	0%
£125,001 - £250,000	2%
£250,001 and £925,000	5%
£925,001 and £1,500,000	10%
£1,500,001 and over	12%

Stamp Duty Land Tax (SDLT) is payable in England, Wales and Northern Ireland only. Land and Buildings Transaction Tax (LBTT) is payable in Scotland at different rates to the above.

Additional SDLT of 3% may apply to the purchase of additional residential properties purchased for £40,000 or greater.

SDLT is charged at 15% on interests in residential dwellings costing more than £500,000 purchased by certain corporate bodies or non-natural persons.

	Non residential
Value up to £150,000	0%
£150,001 and £250,000	2%
£250,001 and over	5%

Additional information can be found on pages 23 - 24

Revaluation

Guaranteed Minimum Pension – Fixed rate

Date of leaving service	Fixed rate of revaluation
Before 6 April 1988	8.5%
Between 6 April 1988 and 5 April 1993	7.5%
Between 6 April 1993 and 5 April 1997	7.0%
Between 6 April 1997 and 5 April 2002	6.25%
Between 6 April 2002 and 5 April 2007	4.5%
Between 6 April 2007 and 5 April 2012	4.0%
Between 6 April 2012 and 5 April 2017	4.75%
After 5 April 2017	3. 5%

Non GMP benefits – statutory minimum rates

Date of leaving service	Statutory rate of revaluation
Before 1 January 1986	No requirement to revalue benefits
Between 1 January 1986 and 31 December 1990	CPI capped at 5% in respect of non GMP benefits accrued from 1 January 1985
Between 1 January 1991 and 5 April 2009	CPI capped at 5% in respect of all non GMP benefits
After 5 April 2009	CPI capped at 5% in respect of all non GMP benefits accrued before 6 April 2009 CPI capped at 2.5% in respect of all benefits accrued after 5 April 2009

NOTE: Statutory revaluation is based on RPI for revaluation prior to 2011

Escalation

Statutory rates of escalation: Member reached State Pension age before 6 April 2016

Accrual	Statutory rate of escalation
GMP: Accrual prior to 6 April 1988	**Scheme:** No requirement to provide any increases in payment **State:** Fully in line with CPI
GMP: Accrual between 6 April 1988 and 5 April 1997	**Scheme:** CPI capped at 3% **State:** Any increases in CPI in excess of 3%
Non GMP: Accrual prior to 6 April 1997	**Scheme:** No requirement to increase in payment
Non GMP: Accrual between 6 April 1997 and 5 April 2005	**Scheme:** CPI capped at 5% (LPI)
Non GMP: Accrual from 6 April 2005	**Scheme:** CPI capped at 2.5%

NOTE: Statutory escalation was based on RPI prior to 2011

Statutory rates of escalation: Member reaches State Pension age on or after 6 April 2016

Accrual	Statutory rate of escalation
GMP: Accrual prior to 6 April 1988	**Scheme:** No requirement to provide any increases in payment
GMP: Accrual between 6 April 1988 and 5 April 1997	**Scheme:** CPI capped at 3%
Non GMP: Accrual prior to 6 April 1997	**Scheme:** No requirement to increase in payment
Non GMP: Accrual between 6 April 1997 and 5 April 2005	**Scheme:** CPI capped at 5% (LPI)
Non GMP: Accrual from 6 April 2005	**Scheme:** CPI capped at 2.5%

NOTE: No increase to GMP is made by the State (via the State Pension) for individuals who reach State Pension age on or after 6 April 2016

Pension Protection Fund

Compensation cap at age 65 (2017/2018): £38,505.61

Revaluation of deferred benefits within PPF

Service	Rate of revaluation
All service before 6 April 2009	CPI capped at 5%
All service after 5 April 2009	CPI capped at 2.5%

Escalation of benefits in payment from PPF

Service	Rate of revaluation
All service before 6 April 1997	No increases
All service after 5 April 1997	CPI capped at 2.5%