

## VQ EXAMINERS' REPORT MARCH 2021

Following the success of the September 2020 examinations, the March 2021 examinations were once again conducted on-line. Encouragingly, only a minimal number of technical issues were reported and, generally, the learners appeared to have far less concerns with their time management. As before, learners were allotted an extra 30 minutes for each of the examinations.

The total number of entries across all units was slightly higher than September 2020 (**794 v 785**), with **730** scripts actually being received. From the original number of entries, there were **52** withdrawals prior to the examinations and **12** absentees on the actual day of the examinations. The high number of scripts received is once again testament to the positive commitment to these examinations from those involved within the pensions industry.

Of the scripts received, the highest figures were for **Leavers** (**158** for **Leavers Part 1** and **140** for **Leavers Part 2**, respectively). This was followed by **Retirements** and **Transfers**, with a similar number of scripts being received for each (**115** and **100** for **Retirements Part 1** and **Retirements Part 2**, respectively, and **102** for **Transfers**). The lowest number of scripts received were for **Deaths** (**63** for **Deaths Part 1** and **52** for **Deaths Part 2**, respectively).

For this series of examinations, the average pass rate across all seven units was higher than September 2020 (**65% v 59%**). The Chief and Senior Examiners were pleased to observe that learners fared significantly better than September 2020 in the Part 1 papers for **Retirements** and **Deaths** (**67% v 41%** for **Retirements Part 1** and **78% v 70%** for **Deaths Part 1**, respectively). Learners also fared significantly better in the Part 2 paper for **Leavers** and in the single paper for **Transfers** (**80% v 62%** for **Leavers Part 2** and **56% v 35%** for **Transfers**, respectively).

The pass rates were broadly similar to September 2020 for **Leavers Part 1** and **Deaths Part 2**. For **Leavers Part 1**, the success rate was marginally higher (**69% v 66%**) and, for **Deaths Part 2**, the success rate was marginally lower (**77% v 82%**).

The Chief Examiner and Senior Examiners noted, however, that the pass rate was significantly lower than September 2020 for **Retirements Part 2** (**32% v 56%**). Although this is generally recognised as being the toughest of the seven examinations, this was, nevertheless, the lowest pass rate for **Retirements Part 2** since May 2012, which was disappointing.

For **Leavers Part 1**, the standard of scripts was reasonably high. The *Case Study* that caused most difficulties was the one for the *XYZ Pension and Life Assurance Scheme (Category A)*; in particular, where learners were supposed to revalue the post-1988 GMP element of the pension at date of leaving to normal pension date. As the member was female, there was a requirement to firstly revalue the post-1988 GMP at the date of leaving to 'GMP due date' (age 60) before applying statutory increases from 'GMP due date' to normal pension date. The correct revaluation method (detailed in the appendices to the scheme booklet) was frequently not carried out in the prescribed manner. In addition, at the outset of this *Case Study*, a number of learners miscalculated the number of days for the pre-1997 and post-1997 tranches of pensionable service (usually by one day).

The *Case Study* relating to the *XYZ Pension and Life Assurance Scheme (Category B)* was well answered by most learners, albeit there were a few scripts where the period of pensionable service was not capped to 3 July 2011. The *Case Study* for the *OPQ Retirement & Death Benefits Plan* was also generally well answered. Where mistakes did occur, these tended to be either arithmetical errors or transcription errors.

For the first of the two *Case Studies* relating to the *RST Pension Scheme*, most learners correctly identified that the Underpin pension exceeded the CARE pension. However, a surprisingly high number of learners did not then split out the pre-2006 and post-2006 elements (neither for the pension at date of leaving nor for the pension revalued to normal pension date).

With the second *Case Study* for the *RST Pension Scheme*, quite a few learners omitted to state that the preserved CARE pension was all post-2006. In addition, some learners calculated just a preserved pension (without the refund option) or just a refund (without the preserved pension option).

The *Letter* for **Leavers Part 1** was associated with the *Case Study* for the *XYZ Pension and Life Assurance Scheme (Category A)*. It was usually well answered, although quite a few learners did not refer to the differences in the pension increase rates to be applied before and after 'GMP due date'. In addition, the actual values for the excess and post-1988 GMP elements of the pension (at both date of leaving and normal pension date) were not always provided.

The paper for **Leavers Part 2** was very well attempted by most learners, which was reflected in the high overall pass rate. As with **Leavers Part 1**, the *Case Study* that presented the most difficulties was the one relating to the *XYZ Pension and Life Assurance Scheme (Category A)*. As with the *Case Study* for **Leavers Part 1**, the member was female, which meant there was a requirement to revalue the post-1988 GMP in two stages; firstly, from the date of leaving to 'GMP due date' and, secondly, from 'GMP due date' to normal pension date. Once again, the prescribed method was not always followed.

With the *Case Study* relating to the *XYZ Pension and Life Assurance Scheme (Category B)*, some learners (as with **Leavers Part 1**) failed to cap the pensionable service to 3 July 2011. In addition, a few learners did not always determine the part-time pensionable service splits accurately or apply the part-time adjustments correctly.

The *Case Study* on the *RST Pension Scheme* generally presented few problems. Where errors occurred, they were usually in relation to the augmentation; with the single-life benefit sometimes either being ignored altogether or wrongly included in the calculation of the spouse's revalued pension at normal pension date.

For **Leavers Part 2**, there were two *Case Studies* for the *OPQ Retirement & Death Benefits Plan*. The first *Case Study* contained a transferred-in benefit and was correctly answered by nearly all learners. For the second *Case Study*, most learners recognised that the member had less than 30 days' qualifying service and correctly worked out the net refund amount. However, as in the September 2020 examinations, a number of learners additionally calculated a preserved benefit and / or indicated a transfer option. This resulted in lost marks (and a loss of valuable time) as neither option is permitted for less than 30 days' qualifying service under the rules of the *OPQ Retirement & Death Benefits Plan*.

The *Letter* for **Leavers Part 2** was generally answered competently. However, as with **Leavers Part 1**, some learners did not always provide the actual values for the pension splits comprising the overall pension. In addition, reference was not always made to the special circumstance (i.e. the varied accrual rates).

The overall pass rate for **Retirements Part 1** was quite high but could have been even higher had a number of easily avoidable errors not been made. Nowhere was this more pertinent than for the *Case Study* relating to the *OPQ Retirement & Death Benefits Plan*. Countless learners calculated a 'UFPLS' option when this was specifically not requested. In addition, many learners omitted to mention the open market option. Further, a good many learners quoted the spouse's annuity in the event of the

member's death, even though they had correctly identified that the member had opted for single-life annuity options. Numerous learners also quoted annuity only options despite the fact the *Case Study* stipulated that the member had specifically requested a tax-free cash sum of 17.5%.

On the whole, the two *Case Studies* for the *RST Pension Scheme* were very well attempted. With the first *Case Study*, the one consistent error was where learners miscalculated the member's age for deriving the commutation factor (i.e. the period 15/01/1953 to 14/03/2021 should have been 68 years and 1 month rather than 68 years and 2 months). For the second *Case Study*, a number of learners omitted to state that a potential young spouse's pension reduction might apply as the spouse was more than 10 years younger than the member.

Conversely, many learners stated that a potential young spouse's pension reduction might apply for the *Case Study* relating to the *XYZ Pension and Life Assurance Scheme (Category B)*. Although the age differential was indeed greater than 10 years, a spouse reduction only ever applies to the *RST Pension Scheme*.

For the *Case Study* on the *XYZ Pension and Life Assurance Scheme (Category A)*, a handful of learners projected pensionable service to the member's normal pension date. However, as it was an 'ill-health' calculation, the pension should have been based on actual pensionable service, but with no reduction for early payment. For this *Case Study*, a significant number of learners lost marks by not confirming that the residual pension covered the GMP. The *Letter for Retirements Part 1* was associated with this particular *Case Study* and it was generally well answered. Where learners did lose marks on the *Letter* was usually because they did not mention the member was retiring due to ill-health, or they did not identify the different payment increase rates before / after 'GMP due date', or they did not state the actual values for the pension splits for the excess pension and post-1988 GMP (neither for the full pension nor for the residual pension).

**Retirements Part 2** had the lowest percentage pass rate across all of the units, with many learners struggling with two particular *Case Studies*. The first *Case Study* to present difficulties was the one relating to the *XYZ Pension and Life Assurance Scheme (Category A)*. This particular *Case Study* covered normal retirement from preserved status, with a high proportion of learners not revaluing the GMP elements in accordance with the prescribed method (as indicated previously). In addition, many learners used the wrong GMP revaluation rate (i.e. something other than 4.75% per annum) and a surprising number of learners did not calculate the number of complete tax years correctly between the date of leaving and the date of retirement. Further, numerous learners struggled with the excess revaluation factor (i.e. 10.1% was not always applied as a factor of 1.101). A few learners also omitted the transferred-in benefit altogether.

The other *Case Study* which contributed to the low pass rate for **Retirements Part 2** was the one for the *OPQ Retirement & Death Benefits Plan*. For this *Case Study*, a number of learners did not always provide figures for the requisite set of options. In addition, the Lifetime Allowance (LTA) percentages were not always calculated for all options. Further, the LTA percentages for the annuity options were frequently calculated after (rather than before) the deduction of the 'Annuity Bureau Charge'. For this *Case Study*, and as with **Retirements Part 1**, many learners did not mention the possibility of the open market option. More learners than not also failed to adequately explain the tax treatment for the 'UFPLS'.

The two *Case Studies* relating to the *RST Pension Scheme* were dealt with quite well. However, for the first *Case Study*, it was not sufficient to merely state that the spouse was more than 10 years younger than the member; the learner had to additionally state the implications (i.e. that a young spouse's

pension reduction might apply). This omission in detail was not penalised if reference was subsequently made to a potential young spouse reduction in the associated *Letter*.

For the second *Case Study* relating to the *RST Pension Scheme*, a few learners had difficulties with the treatment of the AVCs; specifically with the post-commutation spouse's pension. A number of learners stated that the post-commutation spouse's pension would be exactly the same as the pre-commutation spouse's pension. However, as the AVCs were fully taken as cash, they formed no part of the post-commutation spouse's pension whereas they did form part of the pre-commutation spouse's pension (for the joint life AVC option).

The *Case Study* on the *XYZ Pension and Life Assurance Scheme (Category B)* was answered very well, albeit a few learners did not cap the pensionable service to 3 July 2011.

The *Letter* for **Retirements Part 2** was associated with the second *Case Study* for the *RST Pension Scheme*. Although it was generally well answered, many learners omitted to mention either the special circumstance (i.e. the varied accrual rates), or the potential young spouse's pension reduction on the death of the member (as the current spouse was more than 10 years younger), or the fact that the pension had been reduced for early payment.

The **Death** papers were answered competently by most learners and this was reflected in the very high overall pass rates for both. For **Deaths Part 1**, the *Case Study* which presented the most difficulties was the one for the *XYZ Pension and Life Assurance Scheme (Category A)*. For this *Case Study*, a number of learners used the best pensionable salary in the previous 5 years for deriving the final pensionable salary (rather than using the latest pensionable salary). In addition, some learners failed to recognise that there should have been no pre-88 WGMP (as the deceased member was a female). Further, a few learners failed to ensure that the post-1988 WGMP was divisible by 52.

Conversely, the *Case Study* that presented the fewest difficulties was 'death-in-retirement' for the *XYZ Pension and Life Assurance Scheme (Category B)*. Where mistakes occurred, it was usually where learners miscalculated the number of outstanding instalments for the lump sum death benefit by a single month (albeit the dates for the first and last payments were nearly always correct).

Both of the *Case Studies* relating to the *RST Pension Scheme* were well attempted. Interestingly, some learners did not apply a young spouse's pension reduction when it was required for the first *Case Study*, whilst some learners did apply a young spouse's pension reduction for the second *Case Study* when it was not required (as the spouse was actually more than 10 years older than the member, rather than the other way round). When the young spouse's pension reduction was correctly identified as being applicable, it was invariably calculated accurately.

For the *Case Study* on the *OPQ Retirement & Death Benefits Plan*, some learners did not always state the fund units after applying the relevant investment allocation percentage to the Lifestyle units; or, if they did, they did not always round the units to four decimal places. In addition, there were a few learners who stated that the total lump sum death benefit would be payable to one or more persons at the Trustees' discretion. The benefit should have been stated as being payable to the deceased member's estate / legal personal representatives (as it was death-in-deferment).

As with **Deaths Part 1**, the most problematical *Case Study* for **Deaths Part 2** was the one for the *XYZ Pension and Life Assurance Scheme (Category A)*. As this *Case Study* was 'death-in-deferment', there was a requirement to revalue the GMP elements from the date of leaving to the date of death in accordance with the prescribed method detailed in the appendices of the scheme booklet. Many learners did not follow the correct method (i.e. they did not determine the revalued pre-1988 GMP by

deducting the revalued post-1988 GMP from the revalued total GMP). In addition, a few learners did not correctly calculate the number of complete tax years between the date of leaving and the date of death. Further, some learners did not use the correct rate of GMP revaluation (i.e. 4.0%).

For the *Case Study* relating to the *XYZ Pension and Life Assurance Scheme (Category B)*, it was clear that some learners did not have a firm grasp of 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. The enhanced accrual rate was generally dealt with correctly, although some learners forgot to cap the pensionable service to 3 July 2011. In addition, a number of learners did not always apply a late retirement factor.

With **Deaths Part 2**, both of the *Case Studies* relating to the *RST Pension Scheme* were competently attempted by nearly all learners. For the first *Case Study*, there were occasional errors when dealing with the part-time service, particularly for the Underpin pension. In some cases, the part-time splits were not calculated correctly and, in other cases, incorrect part-time adjustments were applied. There were very few mistakes with the second *Case Study*, notwithstanding the fact that the occasional learner failed to cap the number of outstanding pension payments to the deceased member's 75<sup>th</sup> birthday.

For the *Case Study* relating to the *OPQ Retirement & Death Benefits Plan*, some learners did not use the correct method for determining the number of complete months from the date of the last switch to the member's target retirement date (sometimes using the date of the member's death as the first date for calculating the number of complete months to target retirement date, rather than using the start date as the first day of the month in which death occurred). In addition, as with **Deaths Part 1**, a few learners did not state the fund units (or round the units to four decimal places) after applying the relevant investment allocation percentage to the lifestyle units. The special circumstance for this *Case Study* was a transferred-in benefit and this presented few problems.

As usual, the *Letters* for both **Death** papers were generally well answered by most learners, with all of the required information usually being provided. With the *Letter* for **Deaths Part 2**, some learners requested birth and marriage certificates and / or bank details. These items were not required as the lump sum death benefit was payable to one or more persons under the discretionary powers of the Trustees.

**Transfers** was generally well attempted, albeit it was noticeable that more learners appeared to struggle with their time management on this paper than any of the others. In some cases, learners often produced excellent answers but still failed as they were unable to complete all of the *Case Studies* and / or *Letters* in the requisite time.

With **Transfers**, many learners 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). Often, learners only made reference to the requirement to take independent financial advice. The expectation is that learners should provide 'full' information. This is frequently mentioned in the Examiners' Reports but continues to be overlooked by many.

The transfer out *Case Study* for the *OPQ Retirement & Death Benefits Plan* was non-Lifestyle and was usually very well answered. Where errors were made, these tended to be arithmetical in nature. In some instances, transcription errors additionally occurred with unit holdings and / or unit prices.

The transfer in *Case Study* for the *OPQ Retirement & Death Benefits Plan* presented a few more problems as the contributions were required to be split out to purchase units in a combination of Lifestyle and non-Lifestyle funds. Many learners struggled to split out the contributions correctly, and a few learners only stated the amount of units to be allocated to a particular fund without showing their workings in accordance with the requirements set out in the scheme booklet. Where workings were shown, the monetary values after applying the relevant lifestyle investment allocation percentages (split by contribution type within fund) were not always rounded to four decimal places prior to dividing by the appropriate unit prices.

The transfer in *Case Studies* for the *RST Pension Scheme* and the *XYZ Pension and Life Assurance Scheme (Category A)* were mostly well answered. Occasionally, learners miscalculated the age next birthday by one year or made arithmetical errors. In addition, the full list of attaching benefits associated with the transfer in was not always provided.

Each *Letter* was generally well answered for **Transfers**. With the first *Letter* relating to the transfer out of benefits from the *RST Pension Scheme*, a few learners failed to mention that the Trustees would need to check that the adviser had the correct permission to proceed before carrying out the transfer by verifying details on the Financial Services Register. With the second *Letter* for the transfer in of benefits to the *OPQ Retirement & Death Benefits Plan*, most learners correctly detailed the amount of units to be purchased in the relevant funds. However, a number of learners did not mention which transferred-in units were associated with the Lifestyle Fund and which transferred-in units were associated with the non-Lifestyle Fund (Balanced).

By highlighting the key areas where learners 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 learners:

- 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 learners that **scripts will not be marked** in any of the following circumstances:

- Where a learner's personal 'learner number' is missing or incorrect.

- Where a learner'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 believe that preparation and training are essential ingredients for success. Many learners are fortunate to receive training organised by their centres. However, the Committee would like to emphasise the necessity for all training materials to be checked on a regular basis to ensure they are fully up to date and accurate. The Committee would also advocate that centres and their learners should not wait until the final moments before raising any calculation queries with the PMI in relation to the forthcoming examinations, as there is no guarantee that such queries will be answered in time.

*On a final point, centres should be aware that there will be NO specific scheme changes for the next series of examinations in September 2021. However, it should be noted that all of the Booklets have been amended in readiness for the September 2021 examinations by ensuring the examples and appendices are fully up to date from a practical and legislative perspective.*

## THE STATISTICS

The table below provides a detailed breakdown and summary of the key statistics relating to the March 2021 CPC examinations.

<b>Unit</b>	<b>Entries</b>	<b>Withdrawn</b>	<b>Absent</b>	<b>Scripts received</b>	<b>Pass</b>	<b>Fail</b>	<b>Success rate</b>
<b>Retirements Part 1</b>	120	4	1	115	77	38	67%
<b>Retirements Part 2</b>	106	5	1	100	32	68	32%
<b>Deaths Part 1</b>	67	3	1	63	49	14	78%
<b>Deaths Part 2</b>	55	3	0	52	40	12	77%
<b>Leavers Part 1</b>	178	15	5	158	109	49	69%
<b>Leavers Part 2</b>	156	13	3	140	112	28	80%
<b>Transfers</b>	112	9	1	102	57	45	56%
<b>TOTAL</b>	<b>794</b>	<b>52</b>	<b>12</b>	<b>730</b>	<b>476</b>	<b>254</b>	<b>65%</b>

## COMMON ERRORS WHERE LEARNERS FAILED TO MEET THE STANDARDS

### LEAVERS: PART 1

#### Qu.1 – (XYZ: Category A)

- Pre-1997 and post-1997 pensionable service splits occasionally calculated incorrectly (often by either one day too much or one day too little)
- Factor for post-1988 GMP revaluation from date of leaving to 'GMP due date' (i.e. age 60 since female member) occasionally not stated (or stated but not always rounded to 3 decimal places in accordance with the Tables of Factors)
- Post-1988 GMP element sometimes revalued from date of leaving to normal pension date and not in two stages from date of leaving to 'GMP due date' and then from 'GMP due date' to normal pension date
- Post-1988 GMP element not always rounded to be divisible by 52
- Factor for excess revaluation from date of leaving to normal pension date occasionally not stated (or stated but not rounded to 5 decimal places in accordance with the Tables of Factors)
- Number of complete years for excess revaluation from date of leaving to normal pension date occasionally incorrect

#### Qu.2 – (XYZ: Category B)

- Pensionable service sometimes not capped to 3 July 2011
- Factor for excess revaluation from date of leaving to normal pension date occasionally not stated

#### Qu.3 – (OPQ)

- Lifestyle allocation not always stated to be 100% in Global Equity Fund (even though months to target retirement date nearly always calculated as being greater than 60)
- Transfer option not always mentioned

#### Qu.4 – (RST)

- Underpin pension not always calculated as being higher than CARE pension
- Underpin pension occasionally not split out for pre-2006 and post-2006 elements (neither at date of leaving nor at normal pension date)
- Factor for revaluation from date of leaving to normal pension date not always based on correct number of complete years

#### Qu.5 – (RST)

- Statement not always provided that CARE pension all post-2006
- Refund option occasionally omitted

#### Qu.6 – (Letter for Qu.1)

- Actual value for excess element of pension at date of leaving not always stated (although post-1988 GMP value at date of leaving usually shown)
- Actual value for excess element of pension revalued to normal pension date not always stated (although post-1988 GMP value revalued to normal pension date usually shown)
- 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
- Increase rates for pension elements once in payment frequently not split out to detail position before / after 'GMP due date'

## **LEAVERS: PART 2**

### Qu.1 – (XYZ: Category A)

- Days for pensionable service not always correct (i.e. occasionally by one day too much or by one day too little for first and last tranches)
- Post-1988 GMP element 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)
- Post-1988 GMP element not always revalued from 'GMP due date' to normal pension date in accordance with statutory method detailed in appendices of XYZ Pension and Life Assurance Scheme booklet
- Post-1988 GMP element not always rounded to be divisible by 52

### Qu.2 – (XYZ: Category B)

- Pensionable service sometimes not capped to 3 July 2011
- Pensionable service splits not always calculated correctly prior to applying part-time adjustments

### Qu.3 – (RST)

- Augmentation occasionally included in calculation of CARE pension and / or Underpin pension when only payable from normal pension date
- Underpin pension occasionally not split out for pre-2006 and post-2006 elements (neither at date of leaving nor at normal pension date)
- Augmentation sometimes not accumulated to member's revalued pension at normal pension date
- Augmentation sometimes accumulated to spouse's pension revalued from date of leaving to normal pension date (when it was single life)

### Qu.4 – (OPQ)

- Arithmetical errors occasionally made when applying unit prices to unit holdings
- Transfer option not always stated

### Qu.5 – (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 (often by one month too low)
- 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
- Transfer option frequently stated (when not applicable for less than 30 days' qualifying service)
- Preserved option sometimes calculated (when not applicable for less than 30 days' qualifying service)
- Employer element of Personal Retirement Account often calculated for refund option (*although this was not penalised provided the employer element was not included in the refund calculation*)

### Qu.6 – (Letter for Qu.1)

- Actual value for excess element of pension at date of leaving not always stated (although post-1988 GMP value at date of leaving usually shown)
- Actual value for excess element of pension revalued to normal pension date not always stated (although post-1988 GMP value revalued to normal pension date usually shown)

- 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
- Increase rates for pension elements once in payment frequently not split out to detail position before / after 'GMP due date'
- Varied accrual rates not always mentioned

## **DEATHS: PART 1**

### Qu.1 – (XYZ-A)

- Pre / post-1997 pensionable service splits occasionally wrong (normally each split being either too high or too low by one day)
- Final pensionable salary often based on best pensionable salary figure in last 5 years (rather than using latest figure)
- Contracted-out check sometimes omitted (although usually correct when calculated)
- Splits for excess and post-1988 WGMP elements of spouse's pension occasionally not calculated (or calculated but with spouse's post-1988 WGMP not always being divisible by 52)
- Spouse's pre-1988 WGMP sometimes calculated when not applicable (since deceased member was female)

### Qu.2 – (RST)

- Months for determining year-to-date CARE pension sometimes wrong by one month (normally one month too low)
- Young spouse reduction factor occasionally not applied (but generally correct when applied)

### Qu.3 – (OPQ)

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

### Qu.4 – (XYZ: Category B)

- Number of instalments sometimes calculated incorrectly for balance of payments for lump sum death benefit (even when start and end dates correct)

### Qu.5 – (RST)

- Pensionable service sometimes based on date of death rather than being projected to normal pension date (for both CARE pension and Underpin pension)
- Young spouse reduction factor occasionally applied when spouse actually 10 years older than member

### Qu.6 – (Letter for Qu.1)

- Values for excess and post-1988 WGMP elements not always stated
- Details for beneficiaries often requested (when lump sum death benefit should be paid to persons at the discretion of the Trustees)

## **DEATHS: PART 2**

### Qu.1 – (RST)

- Part-time adjustment not always applied to YTD / prospective CARE pension
- Pensionable service splits not always determined correctly before applying relevant part-time adjustments in calculation of Underpin pension
- Correct part-time adjustments not always applied when calculating Underpin pension
- Young spouse reduction factor occasionally applied when spouse actually 10 years older than member

### Qu.2 – (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 Pension and Life Assurance 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)
- GMP revaluation percentage rate sometimes incorrect (i.e. rate other than 4.0% used)
- GMP revaluation period sometimes based on complete years rather than complete tax years
- Splits for excess and pre / post-1988 WGMP elements for spouse's pension occasionally not calculated (or calculated but with spouse's pre / post-1988 WGMP elements not always being divisible by 52)
- Lump sum death benefit sometimes stated as being paid to 'persons at the discretion of the trustees' when reference should have been made to lump sum death benefit being paid to 'deceased member's legal personal representatives / estate'
- Young spouse reduction factor occasionally applied when not relevant for XYZ Pension and Life Assurance Scheme (Category A)

### Qu.3 – (RST)

- Number of instalments sometimes calculated incorrectly for balance of payments for lump sum death benefit (i.e. last payment not always capped to deceased member's 75<sup>th</sup> birthday)
- Enhanced spouse's percentage not always applied to both member's non-commuted and commuted pension elements

### 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
- Confusion sometimes encountered due to having contributions invested in non-Lifestyle Funds (member and employer contributions) and Lifestyle Fund (transferred-in contributions)

### Qu.5 – (XYZ: Category B)

- Highest pensionable salary in last 5 years not always capped to normal pension date
- Final pensionable salary at 3 July 2011 (revalued to normal pension date) not always clearly compared against best pensionable salary figure in last 5 years (capped to normal pension date)
- Pensionable service occasionally not capped to 3 July 2011
- Late retirement factor not always applied (or factor applied but not always rounded to nearest integer)

#### Qu.6 – (Letter for Qu.4)

- Request sometimes made for birth / marriage certificates and bank details when not required for OPQ Retirement & Death Benefits Plan (as no annuity benefit available and lump sum death benefit paid to persons at discretion of trustees)
- Reference to transferred-in benefits occasionally omitted

### **RETIREMENTS: PART 1**

#### Qu.1 – (XYZ: Category B)

- Pensionable service not always capped to 3 July 2011
- Early retirement factor sometimes not applied (even when correctly determined at outset of calculation)
- Commutation factor occasionally incorrect even when member's age correctly calculated
- Potential young spouse reduction sometimes mentioned when not relevant for XYZ Pension and Life Assurance Scheme (Category B)

#### Qu.2 – (XYZ: Category A)

- Pensionable service for ill health occasionally projected to normal pension date rather than being based on date of actual retirement
- Pre / post-1997 pensionable service splits frequently incorrect (often by one day too much or by one day too little)
- Check to determine if residual pension covers GMP occasionally omitted

#### Qu.3 – (RST)

- Age for commutation factor frequently wrong by month (i.e. member was one day short of being 68 years and 2 months)
- Late retirement factor sometimes applied when not applicable for RST Pension Scheme
- Splits not always provided for pre / post-2006 elements of member's residual pension
- Spouse's post-commutation pension occasionally not stated

#### Qu.4 – (RST)

- Splits not always provided for pre / post-2006 elements of member's residual pension
- Potential young spouse reduction (based on current marital status) sometimes not mentioned

#### Qu.5 – (OPQ)

- Joint life annuity values for spouse sometimes shown (even when member's annuity options correctly stated as being single life)
- UFPLS occasionally calculated when specifically not requested
- Mention of open market option sometimes omitted

#### Qu.6 – (Letter for Qu.2)

- Actual value of excess pension element often omitted (for both full pension and residual pension) although value for post-1988 GMP element rarely omitted
- Reference to retirement being due to ill-health frequently omitted
- Increase rates often not split out to detail position before / after 'GMP due date' (i.e. increase basis before 'GMP due date' often assumed to be same as increase basis after 'GMP due date')

## **RETIREMENTS: PART 2**

### Qu.1 – (RST)

- Early retirement factor sometimes not applied for either CARE pension or Underpin pension (even when correctly determined at outset of calculation)
- Augmented accrual rate not always dealt with correctly (or augmented accrual rate not always used) when calculating year to date CARE pension
- Augmented accrual rate and relevant service splits for applying augmented accrual rate not always accurate in calculation of Underpin pension (particularly for 2003-2006 service split)
- Underpin pension sometimes stated as being higher than CARE pension when it was slightly lower
- Splits not always provided for pre / post-2006 elements of residual pension
- Spouse's post-commutation pension occasionally not stated

### Qu.2 – (RST)

- Pensionable service for ill health occasionally based on actual retirement date rather than being projected to normal pension date
- Underpin pension often correctly identified as being higher than CARE pension but splits for pre / post-2006 elements not always provided for either full pension or residual pension
- Joint life AVC pension and / or single life AVC pension sometimes dealt with incorrectly
- LTA percentage used not always combined for scheme pension and AVC pension
- Spouse's pension not always calculated correctly for joint life and single life AVC options
- Methodology for incorporating AVCs within pension commencement lump sum calculation sometimes inaccurate
- Spouse's post-commutation pension occasionally not stated

### Qu.3 – (OPQ)

- 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
- Correct range of requested annuity / cash options not always provided
- 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 occasionally omitted

### Qu.4 – (XYZ: Category B)

- Final pensionable salary not always based on best figure in last 5 years (prior to making comparison against final pensionable salary at 3 July 2011 revalued to date of retirement)
- Pensionable service splits not always calculated correctly prior to applying any part-time adjustments
- Part-time adjustments occasionally incorrect even when pensionable service splits calculated correctly

### Qu.5 – (XYZ: Category A)

- Excess revaluation rate sometimes applied incorrectly (i.e. 10.10% should have meant excess pension revalued by a factor of 1.101)
- GMP elements not always revalued from date of leaving to date of retirement in accordance with statutory method detailed in appendices of XYZ Pension and Life Assurance Scheme booklet (i.e. revalued pre-1988 GMP at date of retirement should be derived by deducting revalued post-1988 GMP at date of retirement from revalued total GMP at date of retirement)

- GMP revaluation percentage rate sometimes incorrect (i.e. rate other than 4.75% sometimes used)
- GMP revaluation period sometimes based on complete years rather than complete tax years
- Transferred-in benefit not always accumulated to overall pension (or occasionally omitted from the calculation of the pension commencement lump sum)
- Check to determine if residual pension covers GMP occasionally omitted

#### Qu.6 – (Letter for Qu.1)

- Augmented accrual rates not always mentioned for either CARE pension or higher Underpin pension
- Mention of reduction in pension for early payment sometimes omitted
- Mention of potential young spouse reduction (based on member's current marital status) not always stated

### **TRANSFERS**

#### Qu.1 – (RST)

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

#### Qu.2 – (OPQ)

- Occasional transcription errors with unit prices and / or unit holdings (e.g. a correct unit price occasionally applied to the unit holdings of a wrong fund, or a correct unit price occasionally applied to the wrongly transcribed unit holdings of a correct fund)

#### 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)

- Full list of attaching benefits not always accurate (e.g. no spouse's pension should be payable on death-in-deferment)

#### Qu.5 – (OPQ)

- Confusion sometimes encountered with mixture of Lifestyle and non-Lifestyle Funds (e.g. when calculating to 2 decimal places the split of Lifestyle contributions and non-Lifestyle contributions (split by contribution type))
- Number of months to TRD occasionally incorrect when determining fund allocation percentages within Lifestyle Fund

- Value of contributions after applying relevant Lifestyle investment allocation percentages (split by contribution type within fund) not always rounded to 4 decimal places prior to dividing by relevant unit prices to determine amount of units purchased
- Value of contributions after applying relevant Lifestyle investment allocation percentages (split by contribution type within fund) sometimes not shown at all (i.e. overall formula often displayed, but with only the end results for the amount of units purchased being stated)

#### Qu.6 – (XYZ)

- Age next birthday occasionally wrong by one year (normally too high by one year)
- Full list of attaching benefits not always provided

#### Qu.7 – (Letter for Qu.1)

- Mention of benefits no longer remaining in ceding scheme (should transfer out proceed) not always stated
- Mention that financial advice cannot be provided sometimes omitted
- Mention that Trustees must ensure the adviser has the correct permissions to proceed by verifying details on the Financial Services Register often 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 85% to the Lifestyle Fund and 15% to a non-Lifestyle Fund (Balanced Fund) sometimes omitted

## SUMMARY OF WORKED ANSWERS

### Leavers Part 1 – Question 1

#### Calculation

- (1) Preserved pension at date of leaving of **£16,152.65 p.a.** (excess over GMP = **£15,639.93 p.a.** and post-1988 GMP = **£512.72 p.a.**) which, when revalued to NPD, could result in a maximum pension of **£22,880.03 p.a.** (excess over GMP = **£22,006.95 p.a.** and post-1988 GMP = **£873.08 p.a.** – assuming increases on excess from date of leaving of 5.0% per annum compound and increases on GMP from date of leaving at 3.5% fixed rate of revaluation up to ‘GMP due date’, with statutory increases applying thereafter)

Spouse’s pension on death before / after retirement of **£8,076.33 p.a.** (based on member’s pension at DOL) which, when revalued to NPD, could result in a maximum pension of **£11,440.02 p.a.** (based on member’s pension at DOL revalued to NPD)

**OR**

- (2) Transfer value to another pension arrangement

### Letter (Part 1 - Question 6)

- (1) Date of leaving (**01/03/2021**)
- (2) Preserved pension at date of leaving (**£16,152.65 p.a.**)
- Excess over GMP (**£15,639.93 p.a.**)
  - Post-1988 GMP (**£512.72 p.a.**)
- (3) Mention member’s NPD (**12/05/2028**) or specific age at NPD (**65**)
- (4) Revaluation rate to NPD
- Excess revaluation from DOL to NPD (**lower of 5.0% / RPI**)
  - Post-1988 GMP revaluation from DOL to ‘GMP due date’ (**fixed rate at 3.50%**)
  - Post-1988 GMP revaluation from ‘GMP due date’ to NPD (**lower of 3.0% / CPI at each 6 April, plus 1/700 for each complete week**)
- (5) Pension at NPD (**£22,880.03 p.a.**)
- Excess over GMP (**£22,006.95 p.a.**)
  - Post-1988 GMP (**£873.08 p.a.**)
- (6) Mention tax-free cash sum option on retirement
- (7) Death before retirement
- Spouse’s pension (**£8,076.33 p.a. at DOL, revalued to DOD**)
  - Refund of contributions (**£47,325.73**)
- (8) Death after retirement
- Spouse’s pension (**£8,076.33 p.a. at DOL, revalued to max £11,440.02 p.a. at NPD**)
  - LSDB (**provided death occurs within 5 years of retirement**)
- (9) Post retirement increases
- Total pension prior to age 60 {‘GMP due date’} (**lower of 5.0% / RPI**)
  - Excess over GMP from ‘GMP due date’ (**lower of 5.0% / RPI**)
  - Post-1988 GMP from ‘GMP due date’ (**lower of 3.0% / CPI**)
- (10) Mention transfer option

### Leavers Part 1 – Question 2

#### Calculation

- (1) Preserved pension at date of leaving of **£9,392.74 p.a.** which, when revalued to NPD, could result in a maximum pension of **£17,711.42 p.a.** – *assuming increases from date of leaving of 5.0% per annum compound*

Spouse's pension on death before / after retirement of **£4,696.37 p.a.** (*based on member's pension at DOL*) which, when revalued to NPD, could result in a maximum pension of **£8,855.71 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) Preserved benefit of **£86,332.81**

**OR**

- (2) Transfer value to another pension arrangement

### Leavers Part 1 – Question 4

#### Calculation

- (1) Preserved 'Underpin' pension at date of leaving of **£28,833.33 p.a.** {v 'CARE' pension of **£26,379.93 p.a.**} (pre-2006 = **£14,000.00 p.a.** and post-2006 = **£14,833.33 p.a.**) which, when revalued to NPD, would result in a pension of **£38,777.66 p.a.** (pre-2006 = **£18,828.46 p.a.** and post-2006 = **£19,949.20 p.a.** – *assuming increases from date of leaving of 2.5% per annum compound*)

Spouse's pension on death after retirement of **£11,533.33 p.a.** (pre-2006 = **£5,600.00 p.a.** and post-2006 = **£5,933.33 p.a.** – *based on member's pension at DOL*) which, when revalued to NPD, would result in a pension of **£15,511.06 p.a.** (pre-2006 = **£7,531.38 p.a.** and post-2006 = **£7,979.68 p.a.** – *based on member's pension at DOL revalued to NPD*)

**OR**

- (2) Transfer value to another pension arrangement

### **Leavers Part 1 – Question 5**

#### **Calculation**

- (1) Net refund of **£9,468.10**

**OR**

- (2) Preserved 'CARE' pension at date of leaving of **£2,177.08 p.a.** {v 'Underpin' pension of **£1,833.33 p.a.**} (all post-2006) which, when revalued to NPD, would result in a pension of **£4,137.08 p.a.** (all post-2006 – assuming increases from date of leaving of 2.5% per annum compound)

Spouse's pension on death after retirement of **£870.83 p.a.** (all post-2006 – based on member's pension at DOL) which, when revalued to NPD, would result in a pension of **£1,654.83 p.a.** (all post-2006 – based on member's pension at DOL revalued to NPD)

**OR**

- (3) Transfer value to another pension arrangement

### **Leavers Part 2 – Question 1**

#### **Calculation**

- (1) Preserved pension at date of leaving of **£27,531.09 p.a.** (excess over GMP = **£27,427.61 p.a.** and post-1988 GMP = **£103.48 p.a.**) which, when revalued to NPD, could result in a maximum pension of **£73,048.76 p.a.** (excess over GMP = **£72,773.68 p.a.** and post-1988 GMP = **£275.08 p.a.** – assuming increases on excess from date of leaving of 5.0% per annum compound and increases on GMP from date of leaving at 3.5% fixed rate of revaluation up to 'GMP due date', with statutory increases applying thereafter)

Spouse's pension on death before / after retirement of **£13,765.55 p.a.** (based on member's pension at DOL) which, when revalued to NPD, could result in a maximum pension of **£36,524.38 p.a.** (based on member's pension at DOL revalued to NPD)

**OR**

- (2) Transfer value to another pension arrangement

### **Letter (Part 2 - Question 6)**

- (1) Date of leaving (**01/03/2021**)  
(2) Preserved pension at date of leaving (**£27,531.09 p.a.**)  
- Excess over GMP (**£27,427.61 p.a.**)  
- Post-1988 GMP (**£103.48 p.a.**)  
(3) Mention member's NPD (**01/02/2042**) or specific age at NPD (**65**)

- (4) Revaluation rate to NPD
  - Excess revaluation from DOL to NPD (**lower of 5.0% / RPI**)
  - Post-1988 GMP revaluation from DOL to 'GMP due date' (**fixed rate at 3.50%**)
  - Post-1988 GMP revaluation from 'GMP due date' to NPD (**lower of 3.0% / CPI at each 6 April, plus 1/700 for each complete week**)
- (5) Pension at NPD (**£73,048.76 p.a.**)
  - Excess over GMP (**£72,773.68 p.a.**)
  - Post-1988 GMP (**£275.08 p.a.**)
- (6) Mention varied accrual rates
- (7) Mention tax-free cash sum option on retirement
- (8) Death before retirement
  - Spouse's pension (**£13,765.55 p.a. at DOL, revalued to DOD**)
  - Refund of contributions (**£121,631.42**)
- (9) Death after retirement
  - Spouse's pension (**£13,765.55 p.a. at DOL, revalued to max £36,524.38 p.a. at NPD**)
  - LSDB (**provided death occurs within 5 years of retirement**)
- (10) Post retirement increases
  - Total pension prior to age 60 {'GMP due date'} (**lower of 5.0% / RPI**)
  - Excess over GMP from 'GMP due date' (**lower of 5.0% / RPI**)
  - Post-1988 GMP from 'GMP due date' (**lower of 3.0% / CPI**)
- (11) Mention transfer option

### **Leavers Part 2 – Question 2**

#### **Calculation**

- (1) Preserved pension at date of leaving of **£6,896.23 p.a.** which, when revalued to NPD, could result in a maximum pension of **£14,336.78 p.a.** – *assuming increases from date of leaving of 5.0% per annum compound*

Spouse's pension on death before / after retirement of **£3,448.12 p.a.** (*based on member's pension at DOL*) which, when revalued to NPD, could result in a maximum pension of **£7,168.39 p.a.** (*based on member's pension at DOL revalued to NPD*)

**OR**

- (2) Transfer value to another pension arrangement

### **Leavers Part 2 – Question 3**

#### **Calculation**

- (1) Preserved 'Underpin' pension at date of leaving of **£7,600.00 p.a.** {v 'CARE' pension of **£5,678.66 p.a.**} (pre-2006 = **£480.00 p.a.** and post-2006 = **£7,120.00 p.a.**) which, when revalued to NPD, would result in a pension of **£10,221.17 p.a.** (pre-2006 = **£645.55 p.a.** and post-2006 = **£9,575.62 p.a.** – *assuming increases from date of leaving of 2.5% per annum compound*) – plus a non-escalating augmentation pension (single life) of **£5,000.00 p.a.** would be payable (total pension at NPD = **£15,221.17 p.a.**)

Spouse's pension on death after retirement of **£3,040.00 p.a.** (pre-2006 = **£192.00 p.a.** and post-2006 = **£2,848.00 p.a.** – based on member's pension at DOL) which, when revalued to NPD would result in a pension of **£4,088.47 p.a.** (pre-2006 = **£258.22 p.a.** and post-2006 = **£3,830.25 p.a.** – based on member's pension at DOL revalued to NPD)

**OR**

- (2) Transfer value to another pension arrangement

#### **Leavers Part 2 – Question 4**

##### **Calculation**

- (1) Preserved benefit of **£111,735.71** (including a transferred-in benefit of **£31,531.92**)

**OR**

- (2) Transfer value to another pension arrangement

#### **Leavers Part 2 – Question 5**

##### **Calculation**

- (1) Refund ONLY of **£395.92**

#### **Deaths Part 1 – Question 1**

##### **Calculation**

- (1) Lump sum death benefit (refund of contributions of **£68,327.16** plus life assurance of **£239,246.52** since death in service before NPD) of **£307,573.68** payable at Trustees' Discretion – [LTA used = **28.66%**]

**PLUS**

- (2) Spouse's pension of **£18,484.20 p.a.** (excess over WGMP = **£18,012.04 p.a.** and post-1988 WGMP = **£472.16 p.a.**)

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

- (1) Date of death (**26/02/2021**)
- (2) Total lump sum death benefit (**£307,573.68**), stating the following details:
- Life assurance (**£239,246.52**)
  - Refund of contributions (**£68,327.16**)
  - Payable at **Trustees' Discretion**

- (3) Spouse's pension (**£18,484.20 p.a.**), stating the following details:
- Excess over WGMP split (**£18,012.04 p.a.**)
  - Post-1988 WGMP split (**£472.16 p.a.**)
  - Commencement date (**01/03/2021**)
  - Rates of increase (excess over WGMP = **lower of 5.0% / RPI** and post-1988 WGMP = **lower of 3.0% / CPI**)
  - Frequency of payment (**monthly**)
  - Increase date (**1<sup>st</sup> April each year**)
- (4) Lifetime allowance:
- Percentage used by lump sum death benefit (**28.66%**)
  - Counts against deceased member
- (6) Action required:
- Member's death certificate
  - Spouse's birth & marriage certificates
  - Bank details

### **Deaths Part 1 – Question 2**

#### **Calculation**

- (1) Lump sum death benefit (refund of contributions of **£53,391.30** plus life assurance of **£112,250.00** since death in service after NPD) of **£165,641.30** payable at Trustees' Discretion – [LTA used = **15.43%**]

**PLUS**

- (2) Spouse's pension of **£4,988.07 p.a.** (pre-2006 = **£1,858.57 p.a.** and post-2006 = **£3,129.50 p.a.** {including young spouse reduction})

### **Deaths Part 1 – Question 3**

#### **Calculation**

- (1) Lump sum death benefit (refund of Personal Retirement Account only since death in deferment) of **£114,908.42** payable to Legal Personal Representatives / Estate – [LTA used = **10.70%**]

### **Deaths Part 1 – Question 4**

#### **Calculation**

- (1) Lump sum death benefit (equal to balance of 5 years' member pension instalments only since death in retirement) of **£19,885.71** payable at Trustees' Discretion – [LTA used = **1.85%**]

**PLUS**

- (2) Spouse's pension of **£4,797.55 p.a.**

### **Deaths Part 1 – Question 5**

#### **Calculation**

- (1) Lump sum death benefit (refund of contributions of **£85,529.20** plus life assurance of **£171,300.00** since death in service before NPD) of **£256,829.20** payable at Trustees' Discretion – [LTA used = **23.93%**]

**PLUS**

- (2) Spouse's pension of **£13,842.74 p.a.** (pre-2006 = **£4,861.12 p.a.** and post-2006 = **£8,981.62 p.a.**)

### **Deaths Part 2 – Question 1**

#### **Calculation**

- (1) Lump sum death benefit (refund of contributions of **£55,671.72** plus life assurance of **£71,801.00** since death in service before NPD) of **£127,472.72** payable at Trustees' Discretion – [LTA used = **11.87%**]

**PLUS**

- (2) Spouse's pension of **£8,097.96 p.a.** (pre-2006 = **£2,588.30 p.a.** and post-2006 = **£5,509.66 p.a.**)

### **Deaths Part 2 – Question 2**

#### **Calculation**

- (1) Lump sum death benefit (refund of contributions of **£99,879.84** plus refund of AVCs (actual value) of **£91,578.66** since death in deferment) of **£191,458.50** payable to Legal Personal Representatives / Estate – [LTA used = **17.84%**]

**PLUS**

- (2) Spouse's pension of **£25,589.26 p.a.** (excess over WGMP = **£24,230.50 p.a.**, pre-1988 WGMP = **£29.64 p.a.** and post-1988 WGMP = **£1,329.12 p.a.**)

### **Deaths Part 2 – Question 3**

#### **Calculation**

- (1) Lump sum death benefit (equal to balance of 5 years' member pension instalments – *capped to age 75* – since death in retirement) of **£11,689.70** payable at Trustees' Discretion – [LTA used = **1.08%**]

**PLUS**

- (2) Spouse's pension of **£7,083.24 p.a.** (pre-2006 = **£818.35 p.a.** and post-2006 = **£6,264.89 p.a.** {including young spouse reduction})

### **Deaths Part 2 – Question 4**

#### **Calculation**

- (1) Lump sum death benefit (refund of Personal Retirement Account of **£407,744.66** plus life assurance of **£177,300.00** since death in service before NPD) of **£585,044.66** payable at Trustees' Discretion – [LTA used = **54.51%**]

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

- (1) Date of death (**26/02/2021**)
- (2) Total lump sum payable at Trustees' Discretion (**£585,044.66**), stating:
- Refund of Personal Retirement Account (**£407,744.66**)
  - Life assurance (**177,300.00**)
- (3) Mention transferred-in benefit
- (4) Lifetime allowance:
- Percentage used by lump sum death benefit (**54.51%**)
  - Counts against deceased member
- (5) Action required:
- Member's death certificate

### **Deaths Part 2 – Question 5**

#### **Calculation**

- (1) Lump sum death benefit (equal to 5 years' member pension instalments since death in service after NPD) of **£145,135.90** payable at Trustees' Discretion – [LTA used = **13.52%**]

**PLUS**

- (2) Spouse's pension of **£14,513.59 p.a.**

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

#### **Calculation**

Options

- (1) Full pension of **£8,405.30 p.a.** with a spouse's pension of **£4,202.65 p.a.** – [LTA used = **15.66%**]

**OR**

- (2) Pension commencement lump sum of **£39,597.86** – [LTA used = **3.69%**]

**PLUS**

Residual pension of **£5,939.68 p.a.** with a spouse's pension of **£4,202.65 p.a.** – [LTA used = **11.07%**]

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

#### **Calculation**

Options

- (1) Full pension of **£28,004.77 p.a.** (excess over GMP = **£25,893.57 p.a.** and post-1988 GMP = **£2,111.20 p.a.**) with a spouse's pension of **£14,002.39 p.a.** – [LTA used = **52.19%**]

**OR**

- (2) Pension commencement lump sum of **£131,592.66** – [LTA used = **12.26%**]

**PLUS**

Residual pension of **£19,738.90 p.a.** (excess over GMP = **£17,627.70 p.a.** and post-1988 GMP = **£2,111.20 p.a.**) with a spouse's pension of **£14,002.39 p.a.** – [LTA used = **36.78%**]

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

- (1) Date of retirement:  
- **14/03/2021**
- (2) Options available:  
- Full pension = **£28,004.77 p.a.**, stating the following details:  
- Excess over GMP = **£25,893.57 p.a.**  
- Post-1988 GMP = **£2,111.20 p.a.**  
**OR**  
- Pension commencement lump sum [PCLS] = **£131,592.66**, PLUS  
- Residual pension = **£19,738.90 p.a.**, stating the following details:  
- Excess over GMP = **£17,627.70 p.a.**  
- Post-1988 GMP = **£2,111.20 p.a.**
- (3) Details of pension:  
- Commencement date = **01/04/2021**  
- Frequency of payment = **monthly**  
- Increase rates up to 'GMP due date' (since ill-health early retirement *before* 'GMP due date'):  
- Total pension = **lower of 5.0% / RPI**  
- Increase rates from 'GMP due date':  
- 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 = **£14,002.39 p.a.**
- (5) Must mention retirement due to ill-health
- (6) Must mention LSDB payable if death occurs within 5 years of retirement
- (6) Lifetime allowance:
- Percentage used by full pension = **52.19%**
- OR*
- Percentage used by PCLS = **12.26%** and percentage used by residual pension = **36.78%**
- (7) Action required:
- Choice of option
  - Member's birth certificate
  - Bank details

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

#### **Calculation**

Options

- (1) Full 'CARE' pension of **£19,704.30 p.a.** {vs 'Underpin' pension of **£15,792.08 p.a.**} (pre-2006 = **£6,322.23 p.a.** and post-2006 = **£13,382.07 p.a.**) with a spouse's pension of **£7,881.72 p.a.** (pre-2006 = **£2,528.89 p.a.** and post-2006 = **£5,352.83 p.a.**) – [LTA used = **36.72%**]

**OR**

- (2) Pension commencement lump sum of **£86,967.95** – [LTA used = **8.10%**]

**PLUS**

Residual pension of **£13,045.19 p.a.** (pre-2006 = **£6,322.23 p.a.** and post-2006 = **£6,722.96 p.a.**) with a spouse's pension of **£7,881.72 p.a.** (pre-2006 = **£2,528.89 p.a.** and post-2006 = **£5,352.83 p.a.**) – [LTA used = **24.31%**]

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

#### **Calculation**

Options

- (1) Full pension of **£10,560.79 p.a.** (pre-2006 = **£6,261.72 p.a.** and post-2006 = **£4,299.07 p.a.**) with a spouse's pension of **£4,224.32 p.a.** (pre-2006 = **£2,504.69 p.a.** and post-2006 = **£1,719.63 p.a.**) – [LTA used = **19.68%**]

**OR**

- (2) Pension commencement lump sum of **£47,471.96** – [LTA used = **4.42%**]

**PLUS**

Residual pension of **£7,120.79 p.a.** (pre-2006 = **£6,261.72 p.a.** and post-2006 = **£859.07 p.a.**) with a spouse's pension of **£4,224.32 p.a.** (pre-2006 = **£2,504.69 p.a.** and post-2006 = **£1,719.63 p.a.**) – [LTA used = **13.27%**]

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

#### **Calculation**

Value of Personal Retirement Account = **£83,061.28**

Options

- (1) Pension commencement lump sum of **£14,535.72** – [LTA used = **1.35%**]

**PLUS**

Annuity of **£6,161.90 p.a.** (non-increasing and single life) – [LTA used = **6.38%**] – {Annuity Bureau Charge of **£60.00**}

**OR**

- (2) Pension commencement lump sum of **£14,535.72** – [LTA used = **1.35%**]

**PLUS**

Annuity of **£4,724.12 p.a.** (increasing at lower of 5.0% / RPI and single life) – [LTA used = **6.38%**] – {Annuity Bureau Charge of **£60.00**}

**OR**

- (3) Open Market Option

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

#### **Calculation**

Options

- (1) Full 'CARE' pension of **£12,540.93 p.a.** {vs 'Underpin' pension of **£12,324.75 p.a.**} (pre-2006 = **£3,670.23 p.a.** and post-2006 = **£8,870.70 p.a.**) with a spouse's pension of **£5,016.37 p.a.** (pre-2006 = **£1,468.09 p.a.** and post-2006 = **£3,548.28 p.a.**) – [LTA used = **23.37%**]

**OR**

- (2) Pension commencement lump sum of **£58,461.48** – [LTA used = **5.44%**]

**PLUS**

Residual pension of **£8,769.22 p.a.** (pre-2006 = **£3,670.23 p.a.** and post-2006 = **£5,098.99 p.a.**) with a spouse's pension of **£5,016.37 p.a.** (pre-2006 = **£1,468.09 p.a.** and post-2006 = **£3,548.28 p.a.**) – [LTA used = **16.34%**]

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

- (1) Date of retirement:
  - **14/03/2021**
- (2) Options available:
  - Full pension = **£12,540.93 p.a.**, stating the following details:
    - Pre-2006 = **£3,670.23 p.a.**
    - Post-2006 = **£8,870.70 p.a.**
  - OR*
  - Pension commencement lump sum [PCLS] = **£58,461.48, PLUS**
  - Residual pension = **£8,769.22 p.a.**, stating the following details:
    - Pre-2006 = **£3,670.23 p.a.**
    - Post-2006 = **£5,098.99 p.a.**
- (3) Details of pension:
  - Commencement date = **01/04/2021**
  - 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 = **£5,016.37 p.a.**
- (5) Must mention reduction for early payment
- (6) Must mention augmented accrual rates
- (7) Must mention potential young spouse reduction (as spouse greater than 10 years younger)
- (8) Must mention LSDB payable if death occurs within 5 years of retirement
- (9) Lifetime allowance:
  - Percentage used by full pension = **23.37%**
  - OR*
  - Percentage used by PCLS = **5.44%** and percentage used by residual pension = **16.34%**
- (10) Action required:
  - Choice of option
  - Member's birth certificate
  - Bank details

**Retirements Part 2 – Question 2**

**Calculation**

Option 1A – Pension Only (AVCs single life)

- (1A) Full 'Underpin' pension of **£24,704.17 p.a.** {vs 'CARE' pension of **£22,421.81 p.a.**} (pre-2006 = **£4,235.00 p.a.** and post-2006 = **£20,469.17 p.a.**) [plus single life AVC pension of **£6,364.64 p.a.** = total pension of **£31,068.81 p.a.**] with a spouse's pension of **£9,881.67 p.a.** (pre-2006 = **£1,694.00 p.a.** and post-2006 = **£8,187.67 p.a.**) – [LTA used = **57.90%**]

**OR**

Option 1B – Pension Only (AVCs joint life)

- (1B) Full 'Underpin' pension of **£24,704.17 p.a.** {vs 'CARE' pension of **£22,421.68 p.a.**} (pre-2006 = **£4,235.00 p.a.** and post-2006 = **£20,469.17 p.a.**) [plus joint life AVC pension of **£5,372.75 p.a.** = total pension of **£30,076.92 p.a.**] with a spouse's pension of **£9,881.67 p.a.** (pre-2006 = **£1,694.00 p.a.** and post-2006 = **£8,187.67 p.a.**) [plus joint life AVC pension of **£2,149.10 p.a.** = total pension of **£12,030.77 p.a.**] – [LTA used = **56.05%**]

**OR**

Option 2 – Pension and Cash

- (1) Pension commencement lump sum of **£147,367.85** (including AVC cash of **£124,110.41**) – [LTA used = **13.73%**]

**PLUS**

Residual pension of **£23,254.20 p.a.** (pre-2006 = **£4,235.00 p.a.** and post-2006 = **£19,019.20 p.a.**) with a spouse's pension of **£9,881.67 p.a.** (pre-2006 = **£1,694.00 p.a.** and post-2006 = **£8,187.67 p.a.**) – [LTA used = **43.34%**]

### **Retirements Part 2 – Question 3**

#### **Calculation**

Value of Personal Retirement Account = **£202,905.07** (including augmentation of **£12,117.79**)

#### **Option 1a – With Cash**

- (1a) Pension commencement lump sum of **£50,726.27** – [LTA used = **4.72%**]

**PLUS**

Annuity of **£12,883.10 p.a.** (non-increasing) with a spouse's annuity of **£6,441.55 p.a.** – [LTA used = **14.18%**] – {Annuity Bureau Charge of **£76.09**}

**OR**

#### **Option 1b – With Cash**

- (1b) Pension commencement lump sum of **£30,000.00** – [LTA used = **2.79%**]

**PLUS**

Annuity of **£14,637.74 p.a.** (non-increasing) with a spouse's annuity of **£7,318.87 p.a.** – [LTA used = **16.11%**] – {Annuity Bureau Charge of **£86.45**}

**OR**

- (2) Uncrystallised Funds Pension Lump Sum of **£202,905.07** (tax-free element = **£50,726.27** and taxable element = **£152,178.80**, which is taxed at member's marginal rate and paid assuming an Emergency Code on a Month 1 basis) – [LTA used = **18.90%**]

**OR**

- (3) Open Market Option

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

##### **Calculation**

Options

- (1) Full pension of **£9,843.38 p.a.** with a spouse's pension of **£4,921.69 p.a.** – [LTA used = **18.34%**]

**OR**

- (2) Pension commencement lump sum of **£44,247.12** – [LTA used = **4.12%**]

**PLUS**

Residual pension of **£6,637.07 p.a.** with a spouse's pension of **£4,921.69 p.a.** – [LTA used = **12.36%**]

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

##### **Calculation**

Options

- (1) Full pension of **£17,705.06 p.a.** (excess over GMP = **£14,961.02 p.a.** [including transfer in of **£2,084.42 p.a.**], pre-1988 GMP = **£388.96 p.a.** and post-1988 GMP = **£2,355.08 p.a.**) with a spouse's pension of **£8,852.53 p.a.** – [LTA used = **32.99%**]

**OR**

- (2) Pension commencement lump sum of **£79,586.26** – [LTA used = **7.41%**]

**PLUS**

Residual pension of **£11,937.94 p.a.** (excess over GMP = **£9,193.90 p.a.**, pre-1988 GMP = **£388.96 p.a.** and post-1988 GMP = **£2,355.08 p.a.**) with a spouse's pension of **£8,852.53 p.a.** – [LTA used = **22.24%**]

## Transfers – Question 1

### Calculation

Total Transfer Value of **£157,881.27**, which includes the post-1997 Transfer Value of **£114,832.05** (member additionally has an AVC Fund Value of **£14,876.33**) – *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 1)

- (1) Total Transfer Value *excluding* AVCs = **£157,881.27**
- (2) Total Transfer Value *including* AVCs = **£172,757.60** {of which AVCs = **£14,876.33**}
- (3) Post-1997 element of Transfer Value = **£114,832.05**
- (4) Must mention option to transfer to a suitable alternative pension arrangement
- (5) Must mention (*if the member is transferring to an arrangement where benefits can be accessed flexibly*):
  - requirement of the member to take independent financial advice from an authorised adviser regulated under the Financial Services and Markets Act 2000 should the transfer proceed
  - requirement of the member to apply for the transfer in writing to the Trustees within 3 months of the guarantee date (date on which the transfer was calculated)
  - requirement of the member to confirm to the Trustees within 3 months of receiving the transfer quotation that independent financial advice has been received
  - requirement of the Trustees to verify within 6 months of the guarantee date that independent financial advice has been received and that the adviser has the correct permission to proceed by verifying details on the Financial Services Register before carrying out the transfer
  - requirement of the Trustees (unless they hear to the contrary) to assume the 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 the RST Pension Scheme

## Transfers – Question 2

### Calculation

Total Transfer Value of **£31,143.70** (including **£4,466.56** in respect of AVCs), which is split between Funds and Contribution Types as follows:

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

Member Contributions	-	£6,650.36
Employer Contributions	-	£10,640.57
AVCs	-	£2,219.09
Total	-	<b>£19,510.02</b>

Index Linked Bond Fund – (non-Lifestyle)

AVCs	-	£903.03
Total	-	<b>£903.03</b>

Balanced Fund – (non-Lifestyle)

Member Contributions	-	£2,110.14
Employer Contributions	-	£3,376.22
AVCs	-	£1,344.44
Total	-	<b>£6,830.80</b>

Corporate Bond Fund – (non-Lifestyle)

Member Contributions	-	£1,499.94
Employer Contributions	-	£2,399.91
Total	-	<b>£3,899.85</b>

**Transfers – Question 3**

**Calculation**

Total Transfer Value of **£51,839.10**, which includes the post-1997 Transfer Value of **£40,692.15** (member additionally has an AVC Fund Value of **£11,003.44**) – *mention requirement for independent financial advice from authorised adviser regulated under Financial Services & Markets Act 2000 if transferring to an arrangement where benefits can be accessed flexibly (as TV exceeds £30,000).*

**Transfers – Question 4**

**Calculation**

- (1) At NPD, a pension of **£8,458.48 p.a.** (including post-1997 pension of **£7,376.33 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 **£21,545.88** would buy units in the member's Personal Retirement Account split between Funds and Contribution Types as follows:

Global Equity Fund – (Lifestyle)

Member Contributions	-	473.6171 units
Employer Contributions	-	315.5237 units
AVCs	-	345.8965 units
Total	-	<b>1,135.0373 units</b>

Index Linked Bond Fund – (Lifestyle)

Member Contributions	-	2,967.0178 units
Employer Contributions	-	1,976.6271 units
AVCs	-	2,166.9005 units
Total	-	<b>7,110.5454 units</b>

Cash Fund – (Lifestyle)

Member Contributions	-	1,268.4481 units
Employer Contributions	-	845.0400 units
AVCs	-	926.3850 units
Total	-	<b>3,039.8731 units</b>

Balanced Fund – (non-Lifestyle)

Member Contributions	-	309.9448 units
Employer Contributions	-	206.4859 units
AVCs	-	226.3618 units
Total	-	<b>742.7925 units</b>

**Letter: Question 8 – (Relating to Question 5)**

- (1) Transfer Value = **£21,545.88**
  - Member's contributions = **£8,990.45**
  - Employer's contributions = **£5,989.44**
  - AVCs = **£6,565.99**
- (2) Global Equity Fund – *Lifestyle* = **1,135.0373 units**
  - Member's contributions = **473.6171 units**
  - Employer's contributions = **315.5237 units**
  - AVCs = **345.8965 units**
- (3) Index Linked Bond Fund (*Lifestyle*) = **7,110.5454 units**
  - Member's contributions = **2,967.0178 units**
  - Employer's contributions = **1,976.6271 units**
  - AVCs = **2,166.9005 units**
- (4) Cash Fund – (*Lifestyle*) = **3,039.8731 units**
  - Member's contributions = **1,268.4481 units**
  - Employer's contributions = **845.0400 units**
  - AVCs = **926.3850 units**
- (5) Balanced Fund – (*non-Lifestyle*) = **742.7925 units**
  - Member's contributions = **309.9448 units**
  - Employer's contributions = **206.4859 units**
  - AVCs = **226.3618 units**
- (6) Must mention that the transferred-in benefits are invested in a mixture of 'non-Lifestyle Fund' and 'Lifestyle Fund' (*but no requirement to specifically derive or actually show Lifestyle units*)
- (7) Must penalise if financial advice 'actually' given
- (8) Must penalise if member's written authority to proceed is mentioned (as transfer in has already occurred and written authority has already been received)
- (9) Must penalise if 'Guarantee' period is mentioned (as not relevant for OPQ Retirement & Death Benefits Plan and transfer in has already occurred)
- (10) Must mention that no benefits remain in the previous scheme
- (11) Must mention that benefits are subject to the rules of OPQ Retirement & Death Benefits Plan

## Transfers – Question 6

### Calculation

- (1) At NPD, a pension of **£4,324.30 p.a.** (including excess pension of **£3,758.54 p.a.** and post-1988 GMP of **£565.76 p.a.** {and including post-1997 pension of **£3,361.45 p.a.**}) would be payable
  - (2) On death before retirement before NPD a refund of contributions would be payable and a spouse's pension 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
-