

# PENSION TRANSFER ANALYSIS

Prepared for  
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Relating to  
**ABC Pension Scheme**

Prepared  
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Transfer Bureau  
O&M Pension Solutions

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## INTRODUCTION

This Pension Transfer Analysis Report is designed to assist in deciding whether a transfer of benefits from the Existing Scheme to an alternative pension contract would be appropriate.

This report provides:

- A Transfer Value Comparator. This is a comparison required by the FCA which shows the difference between the Transfer Value offered by the scheme and the capitalised value of the scheme benefits projected to Normal Retirement Age and then discounted to the current date.
- A calculation of the annual rate of growth (Critical Yield) required in order to match the value of the benefits that would have been available in the Existing Scheme assuming the transfer value is invested into a Personal Pension and an annuity is purchased at retirement.
- Comparisons of the projected benefits in the Existing Scheme and the potential benefits arising from purchasing an annuity from a Personal Pension.
- A series of Cash Flow Models illustrating the potential outcomes on transfer to a Personal Pension assuming either Uncrystallised Funds Pension Lump Sum or Pension Drawdown is used to access benefits equivalent to those available in the Existing Scheme.
- A comparison of the projected benefits available upon death, before and after retirement.

## Assumptions

As we are projecting into the future, we have to use a range of assumptions. This report follows the assumptions laid out by the industry regulators, the Financial Conduct Authority (FCA). The assumptions cover how your pension fund may grow, how your pension fund is converted into an annual pension and future inflation rates. The FCA sets out 3 economic scenarios which are described as Low, Intermediate (Mid) and High.

## Life Expectancy for Cash Flow Modelling

The Cash Flow Models use data provided by the Office for National Statistics to make assumptions about average life expectancy. In your case the assumptions are as follows:

UK Average Life Expectancy (source: ONS) Based upon your gender and year of birth	You 85	Partner 88
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## Disclaimer

This report has been produced based on the information provided to O&M Pension Solutions by the scheme administrators. Whilst it is believed that this interpretation of the information is correct, it cannot be guaranteed and O&M Pension Solutions accept no liability for any errors in, or omissions from, the information provided.

This report does not make a recommendation for or against a transfer of benefits.

This report has been produced in accordance with the assumptions set out in the FCA Conduct of Business Sourcebook.

## TRANSFER VALUE COMPARATOR

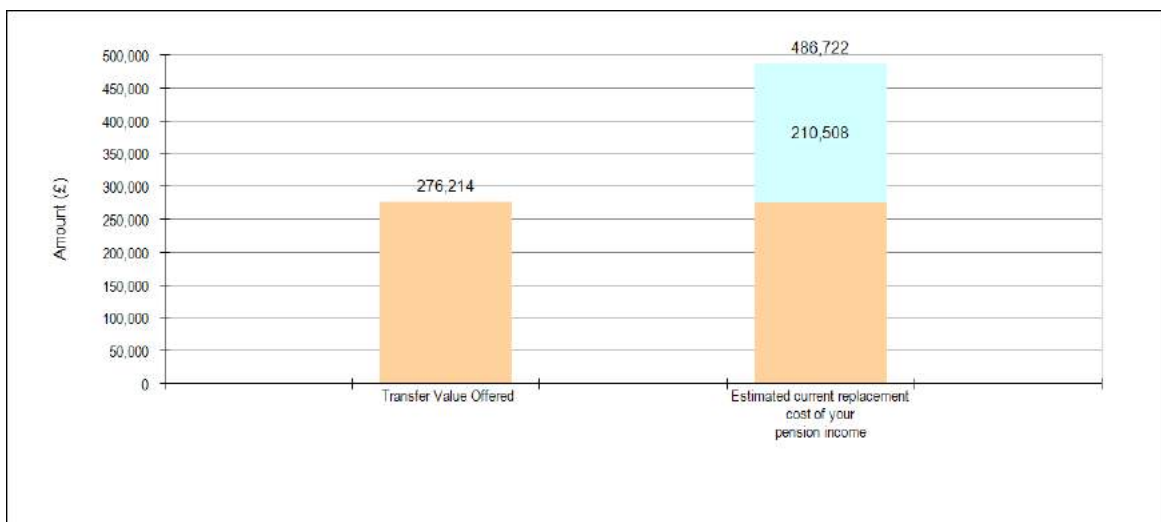
You have been offered a cash equivalent transfer value of £276,214 in exchange for you giving up any future claims to a pension from the scheme.

### Will I be better or worse off by transferring?

- We are required by the Financial Conduct Authority to provide an indication of what it might cost you to replace your scheme benefits.
- We have done this by looking at the amount you might need to buy the same benefits from an insurer.

It could cost you £486,722 to obtain a comparable level of income from an insurer.

This means the same retirement income could cost you £210,508 more by transferring.



### Notes

1. The estimated replacement cost of your pension income is based on assumptions about the level of your scheme income at normal retirement age and the cost of replacing that income (including spouse's benefits) for an average healthy person using today's costs.
2. The estimated replacement value takes into account investment returns after any product charges that you might be expected to pay.
3. No allowance has been made for taxation or adviser charges prior to benefits commencing.

## CRITICAL YIELDS FOR ANNUITY PURCHASE

The benefits in an individual pension plan grow according to the investment return of the funds in which the plan is invested. The Critical Yield shows how much growth is required each year in order to match the value of the benefits that would have been available in the Existing Scheme assuming an annuity purchase in an individual pension plan. For the purposes of valuing the Existing Scheme benefits, an Annuity Interest Rate of 1.5% has been used. This rate is set by the FCA and is reviewed each month.

The rates in the Personal Pension Critical Yields table below breaks down the Critical Yield into two components: the growth required to match the value of the starting pension in the existing scheme; and the additional annual growth required to match the value of guaranteed periods and increases to the existing scheme pension once it comes into payment.

The table is also broken down into Single Life and Joint Life Critical Yields. The Single Life Yields make no allowance for any spouse's pensions in the existing scheme, whereas the Joint Life yields will allow for the Existing Scheme's spouse's pension. Based on your current marital status and the scheme rules, you would currently be classified as Joint Life.

The critical yields shown have been based on a transfer to the following plan:

Personal Pension                      ABC Personal Pension

### Personal Pension Critical Yields

The following critical yields are based on a transfer value of £276,214.

	Single Life		Currently Classified as Joint Life	
	Full Pension	Cash & Reduced Pension	Full Pension	Cash & Reduced Pension
<b>Retiring at Age 65</b>	<b>4.6%</b>	<b>2.2%</b>	<b>7.9%</b>	<b>6.1%</b>
Comprised of				
Level Pension of £11,994 (Full) £7,989 (Reduced)	0.2%	-1.1%	2.3%	1.2%
Effect of Pension Increases and Guaranteed Period	+4.4%	+3.3%	+5.6%	+4.9%
<b>Retiring at Age 60</b>	<b>5.4%</b>	<b>0.3%</b>	<b>12.0%</b>	<b>8.0%</b>
Comprised of				
Level Pension of £8,496 (Full) £5,872 (Reduced)	-5.4%	-8.0%	-1.8%	-4.1%
Effect of Pension Increases and Guaranteed Period	+10.8%	+8.3%	+13.8%	+12.1%

### Assuming Scheme applies to Pension Protection Fund Today

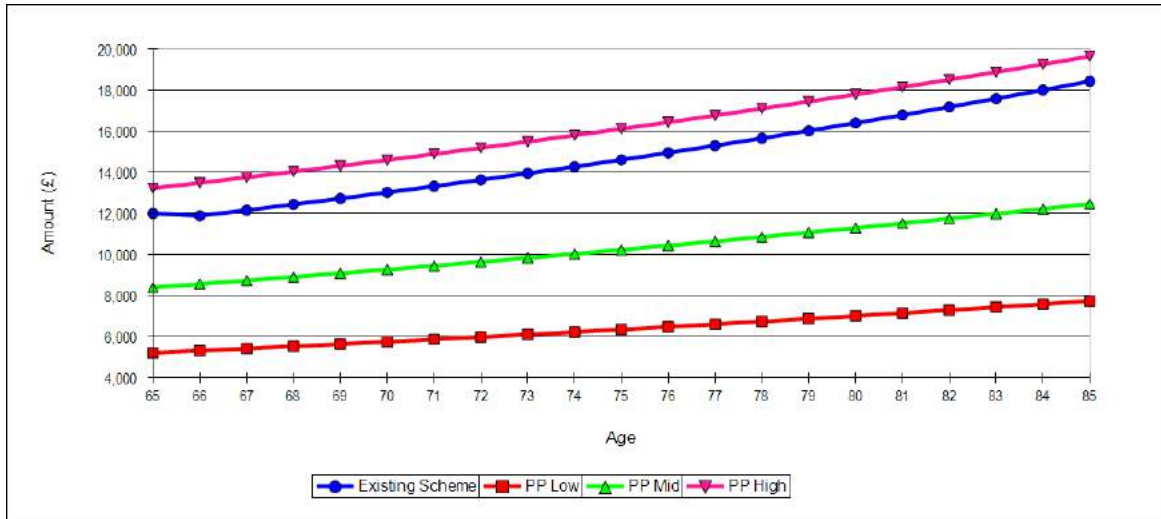
	Single Life		Joint Life	
	Full Pension	Cash & Reduced Pension	Full Pension	Cash & Reduced Pension
<b>Retiring at Age 65</b>			3.2%	2.4%
<b>Retiring at Age 60</b>			3.9%	2.6%

## RETIREMENT BENEFITS AT AGE 65 FOR ANNUITY PURCHASE

### Annual Pension Benefits

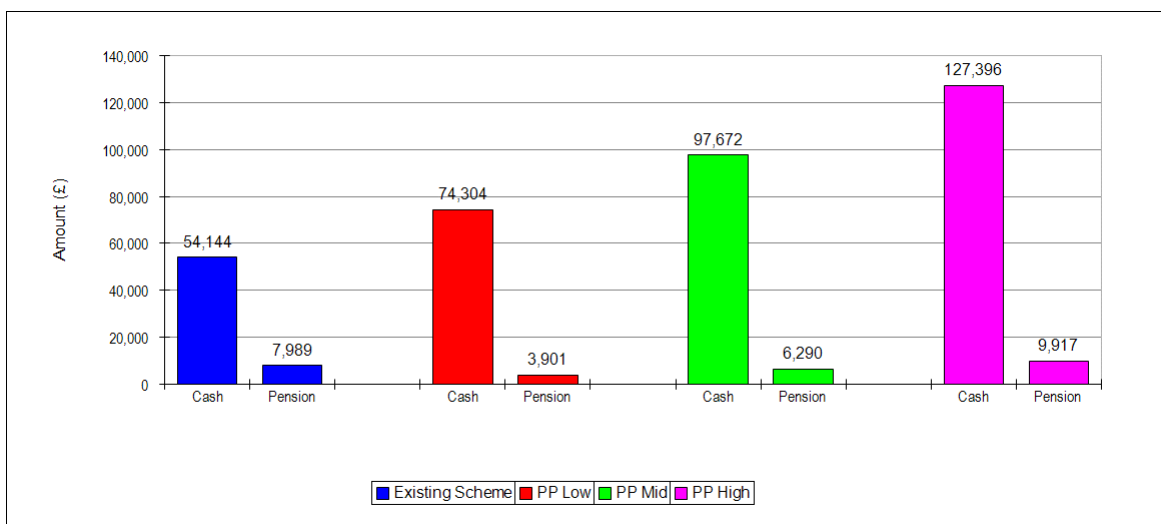
The graph below compares the projected pension benefits for the Existing Scheme with those that could become available at age 65 if purchasing an annuity from the Personal Pension at the Low, Mid and High rates of return. The initial pensions are:

Existing Scheme	Personal Pension		
£11,994	£5,201 (Low)	£8,387 (Mid)	£13,223 (High)



### Tax Free Cash and Reduced Annual Pension

The estimated maximum amounts of tax free cash and annual pension payable at age 65 are as follows:



## DRAWING INCOME ONLY CASH FLOW MODELLING FROM AGE 65

The tables below show the funds left within the Personal Pension Plan, assuming you withdraw the same pension each year as would be payable to you if you stayed in the Existing Scheme. Once you reach your average life expectancy, they show the amount being payable as the spouse/partner pension within the scheme. In addition, they show the critical yield required from now until various ages to match the scheme pension payable net of tax from the Personal Pension. The initial pension payable at age 65 from the scheme is £11,994. Allowing for tax of 20%, your net of tax income from the scheme at age 65 would be £9,595.

### Taking Full Scheme Pension and No Tax Free Cash - using UFPLS in Personal Pension

This table assumes the UFPLS option will be used in the Personal Pension, which means 25% of the amount drawn would be tax free.

Your Age	Probability of Reaching Your Age		Annual Scheme Pension after Tax	Personal Pension Fund Remaining at Start of Year			Growth Rate required to fund pension until age
	You	Partner		Low 2%	Mid 5%	High 8%	
65	94%	98%	£9,595	£297,000	£390,000	£509,000	
70	89%	96%	£10,416	£251,000	£407,000	£639,000	-11.2%
75	81%	94%	£11,688	£196,000	£421,000	£811,000	-4.3%
80	71%	91%	£13,125	£131,000	£428,000	£1,040,000	-0.9%
<b>85</b>	<b>56%</b>	<b>85%</b>	<b>£8,849</b>	<b>£54,300</b>	<b>£427,000</b>	<b>£1,340,000</b>	<b>1.1%</b>
90	38%	77%	£9,951	£952	£455,000	£1,800,000	2.0%
95	19%	65%	£11,195	fund depleted	£482,000	£2,430,000	2.6%
100	6%	47%	£12,602	fund depleted	£505,000	£3,300,000	3.2%
105	1%	26%	£14,191	fund depleted	£523,000	£4,490,000	3.6%
Age Pension Fund Depleted				90	>105	>105	
Probability of Reaching that Age (You/Partner)				38%/77%			

### Taking Full Scheme Pension and No Tax Free Cash - using Full Drawdown in Personal Pension

This table assumes Full Drawdown option will be used in the Personal Pension, which means 25% of the Initial Fund is taken as cash and used to provide income until that runs out, then income is drawn from the fund (and taxed).

Your Age	Probability of Reaching Your Age		Annual Scheme Pension after Tax	Personal Pension Fund Remaining at Start of Year			Growth Rate required to fund pension until age
	You	Partner		Low 2%	Mid 5%	High 8%	
65	94%	98%	£9,595	£222,000	£293,000	£382,000	
70	89%	96%	£10,416	£232,000	£353,000	£530,000	-11.5%
75	81%	94%	£11,688	£205,000	£418,000	£736,000	-4.5%
80	71%	91%	£13,125	£136,000	£420,000	£970,000	-1.0%
<b>85</b>	<b>56%</b>	<b>85%</b>	<b>£8,849</b>	<b>£54,300</b>	<b>£412,000</b>	<b>£1,240,000</b>	<b>1.1%</b>
90	38%	77%	£9,951	fund depleted	£433,000	£1,660,000	2.0%
95	19%	65%	£11,195	fund depleted	£451,000	£2,220,000	2.7%
100	6%	47%	£12,602	fund depleted	£463,000	£3,000,000	3.3%
105	1%	26%	£14,191	fund depleted	£468,000	£4,070,000	3.7%
Age Pension Fund Depleted				89	>105	>105	
Probability of Reaching that Age (You/Partner)				42%/79%			

## DRAWING CASH SUM AND INCOME CASH FLOW MODELLING FROM AGE 65

The tables below show the funds left within the Personal Pension Plan, assuming you withdraw an initial amount equivalent to the Tax Free Cash Sum payable if you stayed in the Existing Scheme (£54,144) followed by the same reduced pension each year as would be payable to you if you stayed in the scheme. Once you reach your average life expectancy, they show the amount being payable as the spouse/partner pension within the scheme. In addition, they show the critical yield required from now until various ages to match the scheme pension payable net of tax from the Personal Pension. The reduced initial pension payable is £7,989. Allowing for tax of 20%, your net of tax income from the scheme at age 65 would be £6,391.

### Taking Initial Cash and Reduced Scheme Pension - using UFPLS in Personal Pension

This table assumes the UFPLS option will be used in the Personal Pension, which means 25% of the amount drawn would be tax free. An initial amount of £63,699 would be drawn to provide an initial sum net of tax equal to the scheme tax free cash sum of £54,144.

Your Age	Probability of Reaching Your Age		Annual Scheme Pension after Tax	Personal Pension Fund Remaining at Start of Year			Growth Rate required to fund pension until age
	You	Partner		Low 2%	Mid 5%	High 8%	
65	94%	98%	£6,391	£233,000	£326,000	£445,000	
70	89%	96%	£6,827	£204,000	£352,000	£574,000	-8.0%
75	81%	94%	£7,662	£170,000	£378,000	£747,000	-3.9%
80	71%	91%	£8,605	£129,000	£405,000	£981,000	-1.3%
<b>85</b>	<b>56%</b>	<b>85%</b>	<b>£8,849</b>	<b>£81,200</b>	<b>£430,000</b>	<b>£1,290,000</b>	<b>0.5%</b>
90	38%	77%	£9,951	£29,000	£458,000	£1,730,000	1.6%
95	19%	65%	£11,195	fund depleted	£485,000	£2,340,000	2.4%
100	6%	47%	£12,602	fund depleted	£509,000	£3,160,000	3.0%
105	1%	26%	£14,191	fund depleted	£528,000	£4,300,000	3.4%
Age Pension Fund Depleted				92	>105	>105	
Probability of Reaching that Age (You/Partner)				30%/73%			

### Taking Initial Cash and Reduced Scheme Pension - using Full Drawdown in Personal Pension

This table assumes Full Drawdown option will be used in the Personal Pension, which means 25% of the Initial Fund is taken as cash and used initially to provide the £54,144 tax free cash and income at the same level as the scheme until that runs out, then income is drawn from the fund (and taxed).

Your Age	Probability of Reaching Your Age		Annual Scheme Pension after Tax	Personal Pension Fund Remaining at Start of Year			Growth Rate required to fund pension until age
	You	Partner		Low 2%	Mid 5%	High 8%	
65	94%	98%	£6,391	£222,000	£293,000	£382,000	
70	89%	96%	£6,827	£217,000	£353,000	£530,000	-8.0%
75	81%	94%	£7,662	£181,000	£393,000	£736,000	-3.9%
80	71%	91%	£8,605	£137,000	£419,000	£972,000	-1.3%
<b>85</b>	<b>56%</b>	<b>85%</b>	<b>£8,849</b>	<b>£85,900</b>	<b>£443,000</b>	<b>£1,280,000</b>	<b>0.5%</b>
90	38%	77%	£9,951	£30,400	£471,000	£1,710,000	1.6%
95	19%	65%	£11,195	fund depleted	£496,000	£2,290,000	2.4%
100	6%	47%	£12,602	fund depleted	£517,000	£3,100,000	3.0%
105	1%	26%	£14,191	fund depleted	£533,000	£4,210,000	3.5%
Age Pension Fund Depleted				92	>105	>105	
Probability of Reaching that Age (You/Partner)				30%/73%			

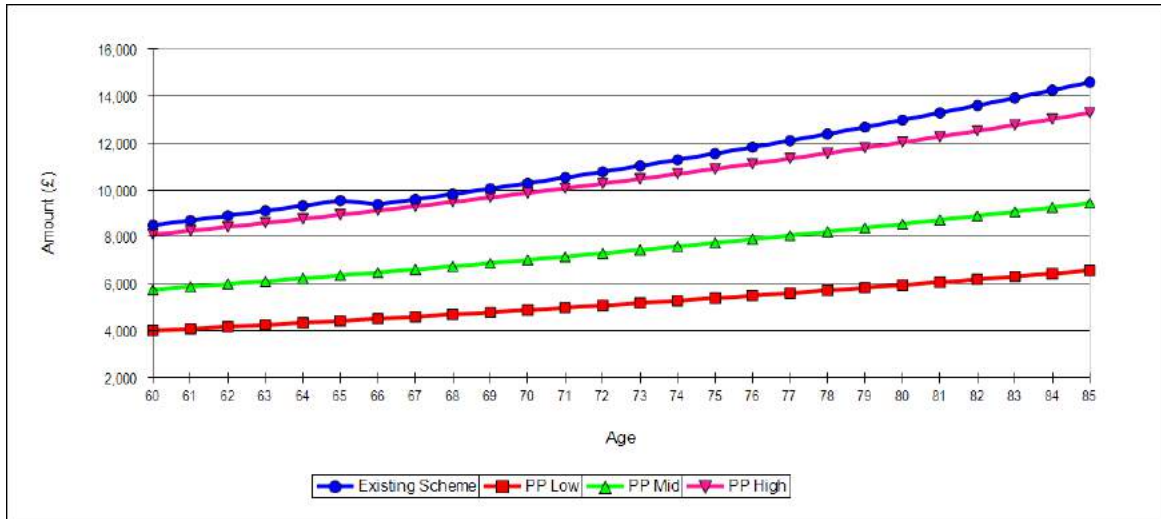


## RETIREMENT BENEFITS AT AGE 60 FOR ANNUITY PURCHASE

### Annual Pension Benefits

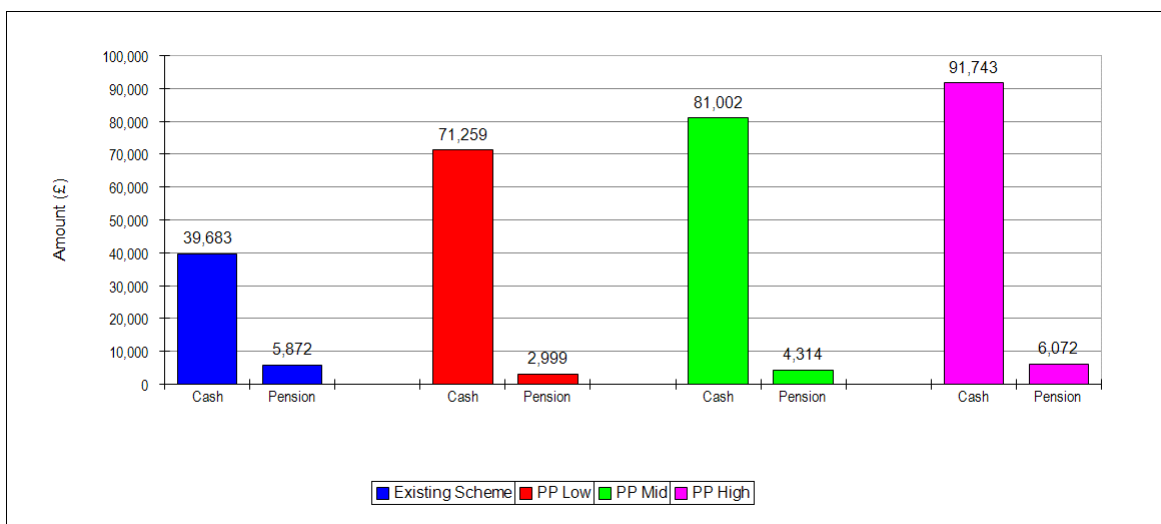
The graph below compares the projected pension benefits for the Existing Scheme with those that could become available at age 60 if purchasing an annuity from the Personal Pension at the Low, Mid and High rates of return. The initial pensions are:

Existing Scheme	Personal Pension		
£8,496	£3,999 (Low)	£5,753 (Mid)	£8,096 (High)



### Tax Free Cash and Reduced Annual Pension

The estimated maximum amounts of tax free cash and annual pension payable at age 60 are as follows:



## DRAWING INCOME ONLY CASH FLOW MODELLING FROM AGE 60

The tables below show the funds left within the Personal Pension Plan, assuming you withdraw the same pension each year as would be payable to you if you stayed in the Existing Scheme. Once you reach your average life expectancy, they show the amount being payable as the spouse/partner pension within the scheme. In addition, they show the critical yield required from now until various ages to match the scheme pension payable net of tax from the Personal Pension. The initial pension payable at age 60 from the scheme is £8,496. Allowing for tax of 20%, your net of tax income from the scheme at age 60 would be £6,797.

### Taking Full Scheme Pension and No Tax Free Cash - using UFPLS in Personal Pension

This table assumes the UFPLS option will be used in the Personal Pension, which means 25% of the amount drawn would be tax free.

Your Age	Probability of Reaching Your Age		Annual Scheme Pension after Tax	Personal Pension Fund Remaining at Start of Year			Growth Rate required to fund pension until age
	You	Partner		Low 2%	Mid 5%	High 8%	
60	97%	99%	£6,797	£285,000	£324,000	£366,000	
65	94%	98%	£7,637	£254,000	£344,000	£459,000	-22.1%
70	89%	96%	£8,228	£218,000	£365,000	£584,000	-9.8%
75	81%	94%	£9,240	£176,000	£384,000	£751,000	-4.2%
80	71%	91%	£10,383	£126,000	£401,000	£975,000	-1.1%
<b>85</b>	<b>56%</b>	<b>85%</b>	<b>£7,005</b>	<b>£66,000</b>	<b>£413,000</b>	<b>£1,270,000</b>	<b>0.8%</b>
90	38%	77%	£7,880	£24,700	£451,000	£1,720,000	1.6%
95	19%	65%	£8,869	fund depleted	£490,000	£2,330,000	2.3%
100	6%	47%	£9,986	fund depleted	£531,000	£3,170,000	2.8%
105	1%	26%	£11,249	fund depleted	£573,000	£4,330,000	3.2%
Age Pension Fund Depleted				92	>105	>105	
Probability of Reaching that Age (You/Partner)				30%/73%			

### Taking Full Scheme Pension and No Tax Free Cash - using Full Drawdown in Personal Pension

This table assumes Full Drawdown option will be used in the Personal Pension, which means 25% of the Initial Fund is taken as cash and used to provide income until that runs out, then income is drawn from the fund (and taxed).

Your Age	Probability of Reaching Your Age		Annual Scheme Pension after Tax	Personal Pension Fund Remaining at Start of Year			Growth Rate required to fund pension until age
	You	Partner		Low 2%	Mid 5%	High 8%	
60	97%	99%	£6,797	£213,000	£243,000	£275,000	
65	94%	98%	£7,637	£222,000	£293,000	£382,000	-23.6%
70	89%	96%	£8,228	£228,000	£353,000	£530,000	-10.9%
75	81%	94%	£9,240	£183,000	£376,000	£700,000	-4.7%
80	71%	91%	£10,383	£129,000	£387,000	£901,000	-1.3%
<b>85</b>	<b>56%</b>	<b>85%</b>	<b>£7,005</b>	<b>£65,700</b>	<b>£392,000</b>	<b>£1,170,000</b>	<b>0.8%</b>
90	38%	77%	£7,880	£21,600	£422,000	£1,570,000	1.7%
95	19%	65%	£8,869	fund depleted	£453,000	£2,110,000	2.4%
100	6%	47%	£9,986	fund depleted	£482,000	£2,870,000	2.9%
105	1%	26%	£11,249	fund depleted	£509,000	£3,910,000	3.3%
Age Pension Fund Depleted				92	>105	>105	
Probability of Reaching that Age (You/Partner)				30%/73%			

## DRAWING CASH SUM AND INCOME CASH FLOW MODELLING FROM AGE 60

The tables below show the funds left within the Personal Pension Plan, assuming you withdraw an initial amount equivalent to the Tax Free Cash Sum payable if you stayed in the Existing Scheme (£39,683) followed by the same reduced pension each year as would be payable to you if you stayed in the scheme. Once you reach your average life expectancy, they show the amount being payable as the spouse/partner pension within the scheme. In addition, they show the critical yield required from now until various ages to match the scheme pension payable net of tax from the Personal Pension. The reduced initial pension payable is £5,872. Allowing for tax of 20%, your net of tax income from the scheme at age 60 would be £4,698.

### Taking Initial Cash and Reduced Scheme Pension - using UFPLS in Personal Pension

This table assumes the UFPLS option will be used in the Personal Pension, which means 25% of the amount drawn would be tax free. An initial amount of £46,686 would be drawn to provide an initial sum net of tax equal to the scheme tax free cash sum of £39,683.

Your Age	Probability of Reaching Your Age		Annual Scheme Pension after Tax	Personal Pension Fund Remaining at Start of Year			Growth Rate required to fund pension until age
	You	Partner		Low 2%	Mid 5%	High 8%	
60	97%	99%	£4,698	£238,000	£277,000	£320,000	
65	94%	98%	£5,284	£219,000	£302,000	£410,000	-19.4%
70	89%	96%	£5,589	£196,000	£330,000	£532,000	-10.2%
75	81%	94%	£6,276	£170,000	£360,000	£698,000	-5.1%
80	71%	91%	£7,051	£137,000	£392,000	£924,000	-2.1%
<b>85</b>	<b>56%</b>	<b>85%</b>	<b>£7,005</b>	<b>£99,300</b>	<b>£425,000</b>	<b>£1,230,000</b>	<b>-0.2%</b>
90	38%	77%	£7,880	£59,500	£465,000	£1,650,000	1.0%
95	19%	65%	£8,869	£12,400	£507,000	£2,240,000	1.8%
100	6%	47%	£9,986	fund depleted	£552,000	£3,050,000	2.5%
105	1%	26%	£11,249	fund depleted	£598,000	£4,160,000	3.0%
Age Pension Fund Depleted				96	>105	>105	
Probability of Reaching that Age (You/Partner)				16%/62%			

### Taking Initial Cash and Reduced Scheme Pension - using Full Drawdown in Personal Pension

This table assumes Full Drawdown option will be used in the Personal Pension, which means 25% of the Initial Fund is taken as cash and used initially to provide the £39,683 tax free cash and income at the same level as the scheme until that runs out, then income is drawn from the fund (and taxed).

Your Age	Probability of Reaching Your Age		Annual Scheme Pension after Tax	Personal Pension Fund Remaining at Start of Year			Growth Rate required to fund pension until age
	You	Partner		Low 2%	Mid 5%	High 8%	
60	97%	99%	£4,698	£213,000	£243,000	£275,000	
65	94%	98%	£5,284	£222,000	£293,000	£382,000	-19.4%
70	89%	96%	£5,589	£207,000	£340,000	£530,000	-10.2%
75	81%	94%	£6,276	£179,000	£370,000	£694,000	-5.1%
80	71%	91%	£7,051	£145,000	£401,000	£915,000	-2.1%
<b>85</b>	<b>56%</b>	<b>85%</b>	<b>£7,005</b>	<b>£104,000</b>	<b>£433,000</b>	<b>£1,210,000</b>	<b>-0.2%</b>
90	38%	77%	£7,880	£61,900	£472,000	£1,630,000	1.0%
95	19%	65%	£8,869	£11,800	£512,000	£2,200,000	1.8%
100	6%	47%	£9,986	fund depleted	£554,000	£2,990,000	2.5%
105	1%	26%	£11,249	fund depleted	£596,000	£4,080,000	3.0%
Age Pension Fund Depleted				96	>105	>105	
Probability of Reaching that Age (You/Partner)				16%/62%			

## EXISTING SCHEME PENSION BENEFITS

The pension benefits accrued in the ABC Pension Scheme are comprised of a number of separate elements, or slices of pension that are treated differently by the scheme or have different legislation governing their behaviour.

The following details the types of pension benefit that were accrued and the different slices of benefit within each type along with details of how they increase before and after retirement.

### Guaranteed Minimum Pension (GMP)

#### Post 88 GMP

Pension at 1 August 2008	£337.48
Increases before age 65	4% per annum
Increases after age 65	CPI (max 3%) per annum

GMP is not payable before age 65. When you retire before this age, the scheme will pay a pension in lieu of the GMP (known as a GMP Bridge). For details of this see the 'Data Used for the report' section at the back of the analysis.

### Other Scheme Pension Benefits

#### Equalised Pre 97 Excess

Pension at 1 August 2008	£387
Increases before retirement	Statutory Orders (5% cap)
Increases after retirement	No escalation

#### Pre 97 Excess

Pension at 1 August 2008	£2,636
Increases before retirement	Statutory Orders (5% cap)
Increases after retirement	RPI (max 3%)

#### State Pension Deduction

Pension at 1 August 2008	-£389.36
Increases before retirement	No revaluation
Increases after retirement	RPI (max 3%)

#### Post 97 Pension

Pension at 1 August 2008	£4,687.25
Increases before retirement	Statutory Orders (5% cap)
Increases after retirement	RPI (0% min, 5% max)

### Transferred-in Benefits

There are no fixed transferred-in benefits although there may be some added years' service included in the pension benefits listed above.

## EXISTING SCHEME TAX FREE CASH (PCLS)

The scheme rules permit some pension to be exchanged for a tax free cash sum up to the maximum permitted by HM Revenue & Customs (HMRC).

This is otherwise known as pension commencement lump sum (PCLS). Whether this amount is completely tax-free will depend upon your remaining lifetime allowance.

The amount of cash available depends on the total value at retirement of the pension benefits, together with the rate at which the Existing Scheme exchanges pension benefits for cash; this is known as the commutation rate.

The weighted average commutation rate used for the existing scheme on retirement at age 65 is 13.983 and on retirement at age 60 is 15.602.

## TRANSFER VALUE

You have been offered a transfer value of £276,214, in lieu of benefits under the Existing Scheme, which can be invested into a Personal Pension or Section 32 contract.

## ADDITIONAL VOLUNTARY CONTRIBUTIONS

In addition to the Existing Scheme transfer value of £276,214, a further amount of £87,888.36 exists which represents Additional Voluntary Contributions. As these AVCs are Money Purchase amounts, they have been excluded from the transfer analysis and critical yield calculations.

Following the pension freedoms created in 2015, legislation allows pension scheme members to leave Money Purchase AVCs in the existing scheme when transferring pension benefits. This legislation overrides scheme rules, however in some cases further discussion may be required with pension scheme trustees.

## EXISTING SCHEME CAPITALISED VALUE

This is calculated by taking each slice of pension from the existing scheme, revaluing it to retirement using any known historic increases and the relevant FCA assumption for any future increases and applying any early or late retirement factors. The resulting pension is converted into a Capitalised Value by multiplying by an annuity rate which reflects how that slice of pension behaves. Allowance is made for adjustments to the pension for GMP becoming payable, temporary pensions and pensions that come into payment at a later date.

The Capitalised Values calculated for the Existing Scheme are shown below:

	Single Life		Currently Classified as Joint Life	
	Full Pension	Cash & Reduced Pension	Full Pension	Cash & Reduced Pension
Retiring at Age 65	£378,200	£303,679	£506,315	£431,793
Retiring at Age 60	£328,967	£265,114	£430,343	£366,490

## TRANSFER ALTERNATIVES

These benefits, apart from being left within your existing scheme, can be transferred to a Personal Pension Plan or a Section 32 contract.

### Personal Pension Plan Benefits

In a Personal Pension the benefits at retirement are determined by how the transfer value has grown in the period to retirement, together with the annuity rates available at retirement to convert the pension fund into annual pensions.

The size of the pension fund also impacts the amount of death benefits and cash lump sums payable.

### Personal Pension Plan - Annuity Shape of Pension Benefits

In a Personal Pension Plan, at retirement the member would be able to choose the rate of pension increase, spouse's pension percentage and guaranteed period.

For comparison purposes, the Personal Pension benefits are assumed to increase on a basis that matches the Existing Scheme as far as reasonably possible.

Specifically, the Existing Scheme may have different slices of benefits with different escalation rates and spouse's pensions, whereas in reality, one annuity shape would be purchased in the Personal Pension. Therefore, the TVAS report chooses for the Personal Pension a single annuity shape.

The escalation rate for this will be based on the rate that applies to the largest amount of pension at Normal Retirement Age. Where the pension benefit is linked to an Index such as CPI, RPI or Pension Increase Orders, this will be classed as Index Linked and grouped together.

In this instance the Personal Pension projections assume that the following annuity will be purchased:

Escalation Index Linked (RPI), 60% spouse's pension, 5 year guarantee.

### Personal Pension Plan - Tax Free Cash Sum

The tax free cash sum is calculated as 25% of the entire pension fund.

### Section 32 Plan Benefits

The benefits in a Section 32 contract are also determined by the fund value available at retirement, which is in turn used to purchase pension benefits, death benefits and cash lump sums.

In addition the Section 32 contract treats any Guaranteed Minimum Pension (GMP) benefits in a similar way to the Existing Scheme and must ensure at least this level of pension is paid at age 65.

For details of the benefits available on transfer to a Section 32 contract, please see Appendix 1 at the end of this report.

## **BENEFITS ON DEATH BEFORE RETIREMENT**

### **Existing Scheme**

A payment of £18,754.12 representing member's contributions.

In the event of your death before retirement a Spouse's Pension is payable. This spouse's pension would be 60% of the member's pension.

### **Personal Pension**

Where a Personal Pension Plan has been established as a result of a transfer from a Final Salary Scheme, the entire fund will be paid as a lump sum although there may be an option to provide a pension with some or all of the lump sum.

## **BENEFITS ON DEATH AFTER RETIREMENT**

### **Existing Scheme**

The Existing Scheme member's pension will continue to be paid for a minimum of 5 years from the date of retirement.

Given your current marital status, on your death in retirement a spouse's pension of 60% would be payable based on the member's pension prior to commutation.

### **Personal Pension**

In a Personal Pension the member chooses at retirement the style of benefit they wish to take, including the size of any spouse's pension.

For illustration purposes this report assumes a similar level of spouse's pension would be chosen to that in the Existing Scheme. Were a higher spouse's pension chosen, the amount of member's pension that could be purchased would be smaller and vice versa.

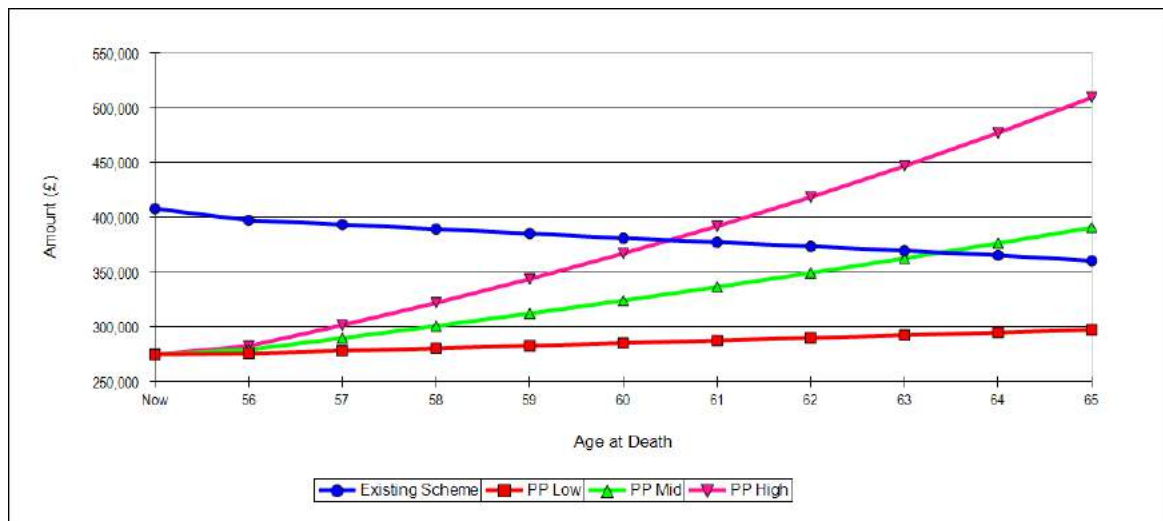
## DEATH BENEFIT COMPARISONS

### Death Before Retirement

Assuming Death	Benefit Payable	Existing Scheme	Personal Pension		
			Low	Mid	High
Immediately	Lump Sum	£18,754	£274,714	£274,714	£274,714
	Annual Pension	£6,036	£0	£0	£0
At age 60	Lump Sum	£18,754	£285,036	£324,006	£366,973
	Annual Pension	£6,383	£0	£0	£0
At age 65	Lump Sum	£18,754	£297,215	£390,690	£509,582
	Annual Pension	£7,196	£0	£0	£0

### Capitalised Value of Death Benefits Before Retirement

To simplify the comparison of benefits payable on death before retirement, the graph below shows the capital cost of providing all projected death benefits from the Existing Scheme and the projected fund values that could be achieved by a Personal Pension.





## PENSION PROTECTION FUND

The Pension Protection Fund (PPF) offers an “insurance scheme” to help provide a minimum level of pension should a pension scheme get into serious financial difficulty. It is funded by a series of levies applied to all final salary pension schemes. It should be noted that the management body of the PPF have the right to reduce the level of compensation being paid from the scheme should the PPF itself suffer financial hardship. The government does NOT underwrite the scheme.

Broadly speaking, those people below the normal retirement age of the scheme when the PPF is appointed will receive 90% of their accrued benefits immediately before the assessment date (subject to a review of the rules of the scheme by the PPF), whilst those past the normal retirement age of the scheme at this date would receive 100% of their accrued benefits.

In the PPF, the Total Pension is revalued from the PPF assessment date to the normal retirement date in line with statutory orders revaluation. GMP benefits do not receive separate revaluation. Benefits relating to Post April 1997 service will increase in payment (in line with CPI capped at 2.5%), whereas no increase in payment will be made in respect of any pension accrued before 1997.

This compensation is subject to an overall cap (currently £39,006.18 for those retiring at age 65) which will be increased each year, and adjusted to the age at which compensation comes into payment (future increases to the cap are assumed in line with AEI increases).

The PPF is not applicable if your benefits are held within a Public Sector Pension Scheme. This type of scheme is dependent upon income from Local and/or Central Government for its funding. Generally, therefore, a greater degree of security is available.

The following pages compare the benefits that the Pension Protection Fund might secure against those that the existing scheme provide.

The comparison is performed assuming the scheme apply to the Pension Protection Fund as at the date of this report. Comparisons are provided assuming retirement at both age 65 and age 60.

## PENSION PROTECTION FUND COMPARISONS

The Normal Retirement Age of the Scheme is 65 and these comparisons assume the scheme applies to the PPF on 24 August 2018. 58% of your pension benefits relate to post April 1997 service and will receive escalation in the PPF.

### Assuming retirement at age 65

<b>Full Pension:</b>	Pension Today	Pension at 65	Capitalised Value of Benefits	Critical Yield in Personal Pension
Existing Scheme	£9,605 p.a.	£11,994 p.a.	£506,315	7.9%
PPF	£8,645 p.a. (90%)	£10,370 p.a. (86%)	£330,959 (65%)	3.2%

Alternatively:

<b>Cash + Reduced Pension:</b>	Tax Free Cash Sum at age 65	+ Reduced Pension at 65	Capitalised Value of Benefits	Critical Yield in Personal Pension
Existing Scheme	£54,144	+ £7,989 p.a.	£431,793	6.1%
PPF	£62,223 (115%)	+ £7,778 p.a. (97%)	£308,485 (71%)	2.4%

Commutation rates used to convert pension into tax free cash are 13.983 (Existing Scheme) and 24.001 (PPF).

### Assuming early retirement at age 60

Any applicable early retirement factors have been applied on both the existing scheme and the PPF in the calculation of the pension at age 60.

<b>Full Pension:</b>	Pension Today	Pension at 60	Capitalised Value of Benefits	Critical Yield in Personal Pension
Existing Scheme	£9,605 p.a.	£8,496 p.a.	£430,343	12.0%
PPF	£8,645 p.a. (90%)	£8,435 p.a. (99%)	£309,736 (72%)	3.9%

Alternatively:

<b>Cash + Reduced Pension:</b>	Tax Free Cash Sum at 60	+ Reduced Pension at 60	Capitalised Value of Benefits	Critical Yield in Personal Pension
Existing Scheme	£39,683	+ £5,872 p.a.	£366,490	8.0%
PPF	£60,153 (152%)	+ £6,326 p.a. (108%)	£292,455 (80%)	2.6%

Commutation rates used to convert pension into tax free cash are 15.602 (Existing Scheme) and 28.526 (PPF).

## **OTHER MATTERS**

### **Transfer Value Expiry Date**

The transfer value quoted by the Existing Scheme is due to expire on 1 November 2018. If a transfer of benefits proceeds after this date a revised value will need to be quoted by the scheme trustees.

### **Ill Health Retirement Benefits**

The majority of final salary occupational pension schemes have the scope to pay enhanced benefits to members who wish to retire early due to ill-health. The level of enhancement, and indeed, whether any such enhancement will be paid is usually at the discretion of the scheme trustees on a case by case basis. This potential benefit will however be lost upon transfer to a Personal Pension or Section 32.

### **Equalisation Issues**

Male and Female retirement ages for the Existing Scheme were equalised at age 65 on 1 April 1991.

If the existing scheme benefits include GMP; it is important to note that the DWP has re-affirmed its intention to press ahead with regulations to make clear that there is a requirement on schemes to equalise GMPs. It is unclear, however, when the legislative changes will be made.

### **Scheme Status**

The existing Scheme is closed to new and active members. Active scheme members can no longer accrue Scheme benefits and are therefore classed as deferred.

### **Funding Position**

The Existing Scheme is known to be in deficit. The extent to which members benefits are being restricted should be discussed with the trustees of the Existing Scheme.

### **Transfer Club**

It is understood that the Existing Scheme is not a member of a transfer club, therefore, this is not an issue that needs further consideration.

## ASSUMPTIONS

This report uses various assumptions which are prescribed by the Industry's Regulators and are subject to regular review.

### Valuing Scheme Benefits

The Annuity Interest Rate is the annual rate of investment return used in calculating the Annuity Rates for the evaluation of scheme benefits and for converting the projected fund in the individual plans into a pension. The individual plans' pension amounts assume payments are made monthly in advance.

The mortality rates used to determine the annuity are based on the CMI tables PMA08 and PFA08 including mortality improvements and are derived from each of the male and female annual mortality projections models in equal parts. No allowance is made in these annuity rates for enhanced or ill health annuities.

### Existing Scheme Assumptions

Where benefit increases are linked to an Index, the actual historic increases are used where known and assumptions about the future growth in the index are applied for future increases.

For pre-retirement increases, a separate check is made to ensure that the revaluation over the whole period from date of leaving to retirement is at least equal to any minimum rate and not greater than any maximum capping rate.

The following table includes the assumptions used for the most common types of increases.

	Scheme Projections	Critical Yields
Annuity Interest Rate	n/a	1.5%
Retail Price Index	2.5%	3.57%
Retail Price Index capped at 2.5%	2.5%	2.5%
Retail Price Index capped at 3%	2.5%	3%
Retail Price Index capped at 5%	2.5%	3.57%
Consumer Price Index	2%	3.05%
Consumer Price Index capped at 2.5%	2%	2.5%
Consumer Price Index capped at 3%	2%	3%
Consumer Price Index capped at 5%	2%	3.05%
Statutory Orders	2%	n/a
National Average Earnings Index	4%	4%

### Personal Pension Assumptions

	Low	Mid	High
Annuity Interest Rate	-0.5%	1.5%	3.5%
Fund Growth Rate	2%	5%	8%

### Life Expectancy

The mortality rates used to determine life expectancy and survival probabilities are based on the UK 2016-based National Population Projections life tables published by the Office for National Statistics.

The life tables for 2017 onwards are based on projected mortality rates from the UK 2016-based National Population Projections. Projections are uncertain and become increasingly so the further they are carried forward in time, but in principle, are allowing for future improvements in mortality based on your gender and year of birth.

### Transfer Value Comparator

Product Charge	0.75% p.a.
Discount Rate	1.17% p.a.

## NOTES AND DATA USED FOR THE REPORT

### Scheme Information

#### Summary Funding Statement

The most recent funding valuation of the Plan showed that on 31 March 2017 the funding position was as follows:

The value of the scheme liabilities were - £671.5 million

The Schemes assets were valued at - £620.2 million

Deficit - £51.3 million

Funding level - 92%

The participating Employers have agreed to pay additional contributions to the Scheme to restore the Scheme to full funding. Additional contributions will be paid for between 7 and 10 years from January 2018.

## Data Used

### Personal Information

Client Name	Mr J Smith
Date of Birth	25 January 1963
Gender	Male
National Insurance No.	AB123456C
Member Reference No.	100-23456
Marital status	Married
Partner date of birth	18 June 1972
Same partner as at date of leaving	Yes
Joined Scheme	1 June 1990
Left Scheme	1 August 2008
Final Pensionable Earnings	£36,500
Cash Flow Model Basis	Spouse's Pension from Life Expectancy
Tax Rate in Retirement	20%(Assumed)

### Scheme Information

Scheme Name	ABC Pension Scheme
Scheme Category	September NRA 60
Contracted Out Pre 4/97	Yes
GMP Bridge	Yes
Contracted Out Post 4/97	Yes
Basis of Post 97 Contracting Out	Reference Scheme S9(2b) Rights
Accrual Rate	60ths(Assumed)
Scheme Status	Closed To New And Active Members
Funding Position	In Deficit
Pensionable Service Basis	Whole Years Rounded Down
Transfer Club Member	No
Scheme Benefits have money purchase underpin	No

### Retirement Ages

Scheme Retirement Age	65
Earliest Retirement Age allowed by scheme	55
Latest Retirement Age allowed by scheme	75 (Assumed)
Retirement Ages Equalised	Yes
Date Retirement Ages Equalised	1 April 1991
Report illustration age A	65
Report illustration age B	60

### Cash by Commutation

Does the scheme allow cash by commutation?	Yes
Does Scheme pay HMRC Post A Day maximum?	Yes
Protected Cash @ 5/4/2006	£0(Assumed)
Escalation applied to Pension before Commutation?	No(Assumed)
Bulk Transfer Cash Protection?	No

## Death Benefits

### Death Before Retirement

Return of Members Contributions	£18,754.12
Return of Members Contributions interest	0% fixed
Spouse's Pension - Percentage of Total Pension	60%

### Death After Retirement

Guarantee Period	5 years
Spouse's Pension – Percentage of Total Pension	60%
Spouse's Pension based on Pension Before Commutation?	Yes

## Transfer Value

Total Transfer Value	£276,214
Post 97 Contracted Out TV (included in Total TV)	£115,471
Date of Transfer Value	1 August 2018
Transfer Value Guaranteed Until	1 November 2018
Transfer Value Basis	Standard TV Only
Members Contributions	£18,754.12
Additional Money Purchase AVCs	£87,888.36

## Pension Providers

Personal Pension Product	ABC Personal Pension
Initial Adviser Charges	£1,500
Ongoing Adviser Charges	0.25% p.a. paid monthly
Charges Facilitated by Product Provider	Yes
Initial Product Charges	None
Ongoing Product Charges	£120 p.a. paid monthly 0.6% p.a. paid monthly
Investment/Fund Name	XYZ Fund
Initial Fund Charges	None
Ongoing Fund Charges	0.25% p.a. paid monthly
Growth Rates (Low, Mid, High)	2%, 5%, 8%
Section 32 Product	Transact S32 Buy Out Bond
Initial Adviser Charge Basis	Initial Amount
Initial Charge Amount	£1,500
Ongoing Adviser Charge Basis	Ongoing Percentage
Ongoing Charge Percentage	0.25%
Ongoing Charge Frequency	Monthly
Charges Facilitated by Product Provider	Yes
Fund	100% 7IM AAP Balanced A Acc

## Discretionary Increases

### Discretionary Increases Before Retirement

Benefits before retirement are not subject to discretionary increases.

### Discretionary Increases After Retirement

Benefits after retirement are not subject to discretionary increases.

## Pension Benefits

### Equalised Pre 97 Excess

- £387 as at 1 August 2008.
- 'Pre 97 Excess Pension' slice that revalues by Statutory Orders (5% cap) and does not escalate.
- The NRA for this slice is 60.
- Full franking is applied before age 65 with franking of escalation only applied on or after this age (assumed).
- On retirement at age 65 the slice is revalued to age 60 and a factor of 1.52 is applied.
- On retirement at age 60 the slice is revalued to this age and a factor of 1 is applied.
- Commutation factor at age 65 is 11 and at age 60 is 12.

### Pre 97 Excess

- £2,636 as at 1 August 2008.
- 'Pre 97 Excess Pension' slice that revalues by Statutory Orders (5% cap) and escalates by RPI (max 3%).
- Full franking is applied before age 65 with franking of escalation only applied on or after this age (assumed).
- On retirement at age 60 the slice is revalued to this age and a factor of 0.8 is applied.
- Commutation factor at age 65 is 11 and at age 60 is 12.

### State Pension Deduction

- -£389.36 as at 1 August 2008.
- 'Pre 97 Excess Pension' slice that does not revalue and escalates by RPI (max 3%).
- This slice starts at age 66.
- Revaluation basis is 'Whole Years Rounded Down' (assumed)
- Full franking is applied before age 65 with franking of escalation only applied on or after this age (assumed).
- This slice is non-commutable.

### Post 97 Pension

- £4,687.25 as at 1 August 2008.
- 'Post 97 Pension' slice that revalues by Statutory Orders (5% cap) and escalates by RPI (0% min, 5% max).
- Full franking is applied before age 65 with franking of escalation only applied on or after this age (assumed).
- On retirement at age 60 the slice is revalued to this age and a factor of 0.8 is applied.
- Commutation factor at age 65 is 16 and at age 60 is 18.

### Post 88 GMP

- £337.48 as at 1 August 2008.
- 'Post 88 GMP' slice that revalues by GMP Fixed Rate 4% and escalates by Statutory Minimum (GMP).
- This slice starts at age 65.
- Revaluation basis is 'Tax Years'
- This slice is non-commutable.

### GMP Bridge (Post 88 GMP)

- £337.48 as at 1 August 2008.
- 'GMP Bridge Auto Valued' slice that revalues by Statutory Orders (5% cap) and escalates by RPI (max 3%).
- Revaluation basis is 'Whole Years Rounded Down'
- On retirement at age 60 the slice is revalued to this age and a factor of 0.8 is applied.
- This slice is non-commutable.



## SECTION 32 COMPARISON CRITICAL YIELDS FOR ANNUITY PURCHASE

The benefits in an individual pension plan grow according to the investment return of the funds in which the plan is invested. The Critical Yield shows how much growth is required each year in order to match the value of the benefits that would have been available in the Existing Scheme assuming an annuity purchase in an individual pension plan. For the purposes of valuing the Existing Scheme benefits, an Annuity Interest Rate of 1.5% has been used. This rate is set by the FCA and is reviewed each month.

The table is broken down into Single Life and Joint Life Critical Yields. The Single Life Yields make no allowance for any spouse's pensions in the existing scheme, whereas the Joint Life yields will allow for the Existing Scheme's spouse's pension. Based on your current marital status and the scheme rules, you would currently be classified as Joint Life.

The critical yields have been based on a transfer to the following plan:

Section 32                      Transact S32 Buy Out Bond

### Section 32 Critical Yields

The following critical yields are based on a transfer value of £276,214.

	<b>Single Life</b>		<b>Currently Classified as Joint Life</b>	
	Full Pension	Cash & Reduced Pension	Full Pension	Cash & Reduced Pension
<b>Retiring at Age 65</b>	<b>5.2%</b>	<b>2.8%</b>	<b>8.5%</b>	<b>6.7%</b>
<b>Retiring at Age 60</b>	<b>6.5%</b>	<b>1.4%</b>	<b>13.2%</b>	<b>9.1%</b>

### Assuming Scheme applies to Pension Protection Fund Today

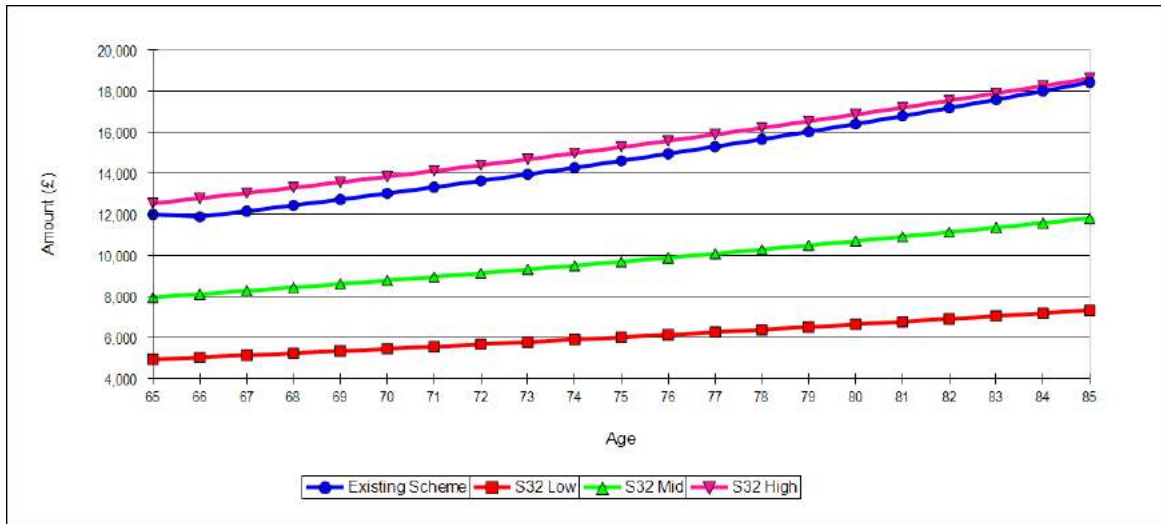
	<b>Single Life</b>		<b>Joint Life</b>	
	Full Pension	Cash & Reduced Pension	Full Pension	Cash & Reduced Pension
<b>Retiring at Age 65</b>			<b>3.8%</b>	<b>3.0%</b>
<b>Retiring at Age 60</b>			<b>5.0%</b>	<b>3.7%</b>

## SECTION 32 COMPARISON RETIREMENT BENEFITS AT AGE 65 FOR ANNUITY PURCHASE

### Annual Pension Benefits

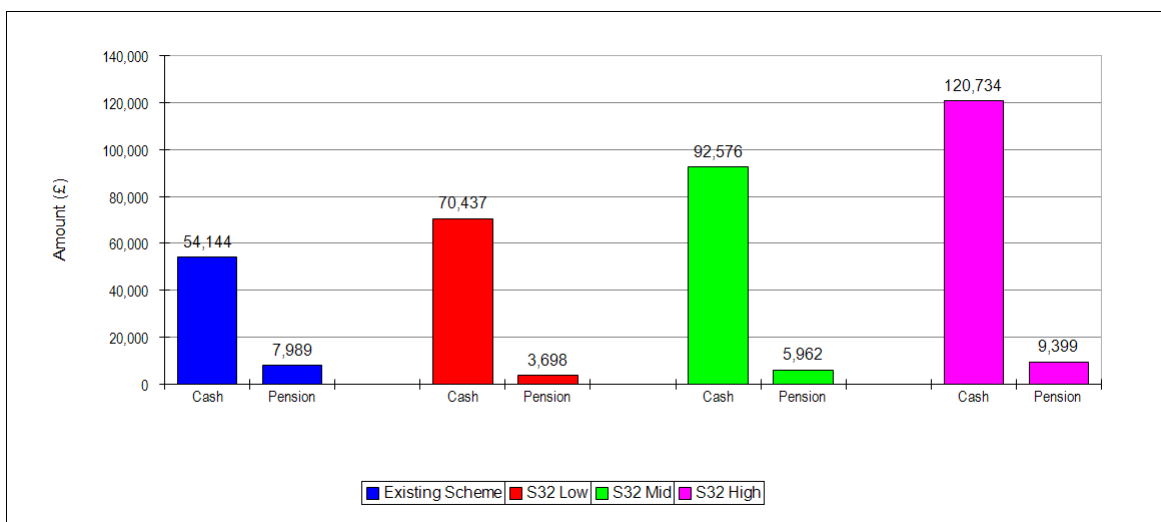
The graph below compares the projected pension benefits for the Existing Scheme with those that could become available at age 65 from the Section 32 at the Low, Mid and High rates of return. The initial pensions are:

Existing Scheme	Section 32		
£11,994	£4,930 (Low)	£7,950 (Mid)	£12,532 (High)



### Tax Free Cash and Reduced Annual Pension

The estimated maximum amounts of tax free cash and annual pension payable at age 65 are as follows:

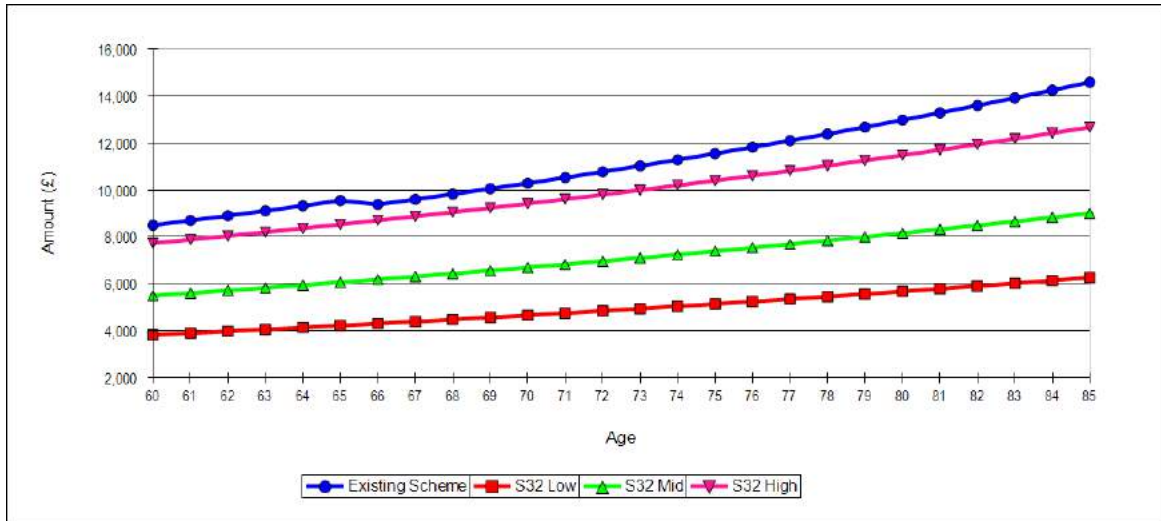


## SECTION 32 COMPARISON RETIREMENT BENEFITS AT AGE 60 FOR ANNUITY PURCHASE

### Annual Pension Benefits

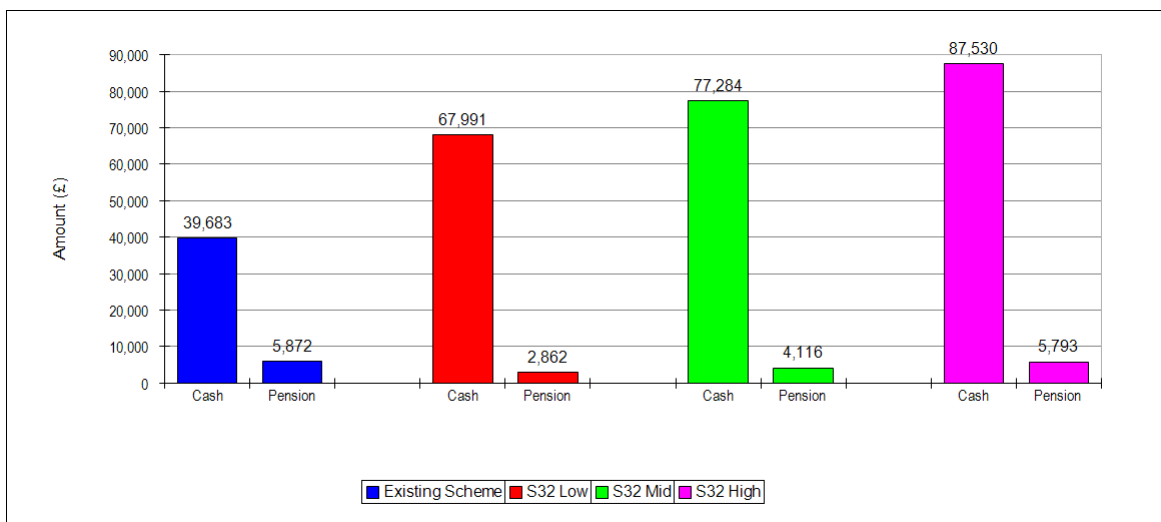
The graph below compares the projected pension benefits for the Existing Scheme with those that could become available at age 60 from the Section 32 at the Low, Mid and High rates of return. The initial pensions are:

Existing Scheme	Section 32		
£8,496	£3,815 (Low)	£5,489 (Mid)	£7,724 (High)



### Tax Free Cash and Reduced Annual Pension

The estimated maximum amounts of tax free cash and annual pension payable at age 60 are as follows:



## SECTION 32 COMPARISON

### Section 32 Plan Benefits

#### Escalation of Benefits from Retirement

In a Section 32, at retirement the member would be able to choose the rate of pension increase.

For comparison purposes, the Section 32 benefits are assumed to increase on a basis that matches the Existing Scheme as far as possible. If a lower escalation rate is selected a higher starting pension might be available and vice versa, although any Post 88 GMP benefits must escalate at a minimum of CPI capped at 3%.

#### Tax Free Cash Sum

The tax free cash sum is calculated as 25% of the entire pension fund although any GMP benefits must be secured first, which may limit the amount of tax free cash available. The report takes this into account in the figures illustrated.

#### Death Before Retirement

Death benefits from a Section 32 contract are provided in the following order:

**Statutory Minimum in respect of Contracted-out benefits** – The minimum benefit in the event of the death of a male scheme member is a Spouse's pension of 50% of any GMP accrued to the date of leaving and revalued to the date of death using whole tax years. Pre 88 GMP does not escalate whilst in payment, however, Post 88 GMP must increase in line with CPI (maximum 3%). If there are Contracted-Out benefits relating to service after 6th April 1997, 50% of the accumulated Post 97 fund must be used to secure a spouse's pension.

**Lump Sum** – The remaining sum will be paid as a lump sum.

#### Death After Retirement - Section 32

In a Section 32 the member chooses at retirement the style of benefit they wish to take, including the size of any spouse's pension. There are additional restrictions in that any GMP benefits and any contracted-out benefits relating to service after 5 April 1997 must have a 50% spouse's pension.

For illustration purposes this report assumes a similar level of spouse's pension would be chosen to that in the Existing Scheme. Were a higher spouse's pension chosen, the amount of member's pension that could be purchased would be smaller and vice versa.

#### Section 32 Assumptions

	Low	Mid	High
Annuity Interest Rate	-0.5%	1.5%	3.5%
Fund Growth Rate	2%	5%	8%

## SECTION 32 COMPARISON DEATH BENEFIT COMPARISONS

### Death Before Retirement

Assuming Death	Benefit Payable	Existing Scheme	Section 32		
			Low	Mid	High
Immediately	Lump Sum	£18,754	£184,545	£190,349	£196,943
	Annual Pension	£6,036	£889	£1,083	£1,318
At age 60	Lump Sum	£18,754	£190,908	£225,699	£264,480
	Annual Pension	£6,383	£1,085	£1,425	£1,887
At age 65	Lump Sum	£18,754	£199,524	£274,189	£369,002
	Annual Pension	£7,196	£1,351	£1,953	£2,878

### Capitalised Value of Death Benefits Before Retirement

To simplify the comparison of benefits payable on death before retirement, the graph below shows the capital cost of providing all projected death benefits from the Existing Scheme and the projected fund values that could be achieved by a Personal Pension.

