

## AF3

# Advanced Diploma in Financial Planning

## Unit AF3 – Pension planning

October 2017 examination

### SPECIAL NOTICES

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

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

### Instructions

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



## Unit AF3 – Pension planning

### Instructions to candidates

#### Read the instructions below before answering any questions

- **Three hours** are allowed for this paper which carries a total of 160 marks as follows:
- Section A: 80 marks
- Section B: 80 marks
- You are advised to spend approximately 90 minutes on Section A and 90 minutes on Section B.
- You are strongly advised to attempt **all** questions to gain maximum possible marks. The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- You may find it helpful in some places to make rough notes in the answer booklet. If you do this, you should cross through these notes before you hand in the booklet.
- It is important to show all steps in a calculation, even if you have used a calculator.
- If you bring a calculator into the examination room, it must be a silent, battery or solar-powered, non-programmable calculator. The use of electronic equipment capable of being programmed to hold alphabetic or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements.
- Tax tables are provided at the back of this question paper.
- Additional information relevant to pension planning is also included at the back of this question paper.
- Answer each question on a new page and leave six lines blank after each question part.

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

## SECTION A

This question is compulsory and carries 80 marks

## Question 1

Read carefully all information provided in the case study before attempting the questions. Your answers should take into account the clients circumstances as set out in the case study. Please carry out ALL of the tasks (a), (b), (c), (d) and (e) which follow.

Sanjay, aged 56, is a member of his employer's group personal pension plan (GPP) into which his employer contributes 5% of his salary. He is not required to make any contributions to the scheme as a condition of membership but has made occasional lump sum payments. The GPP is his only pension arrangement and is currently valued at £756,000.

Having sold an investment property at a substantial profit in February 2017, Sanjay is looking to utilise the proceeds to maximise his retirement provision and is considering alternative investments that may be appropriate for his circumstances.

Sanjay's income and pension contributions are detailed in the table below. All other savings and investments are held by Sanjay's wife, Anupa, aged 58.

Tax year	Annual salary £	Taxable income from investment property £	Employer contribution to GPP £	Personal contributions to GPP (gross) £
2017/2018	160,000	nil	8,000	Currently nil
2016/2017	148,000	12,000	7,400	nil
2015/2016*	140,000	11,500	7,000	11,000
*of the total £18,000 contributed in the tax year 2015/2016, £5,000 was paid in the pre-alignment period and £13,000 was paid in the post alignment period.				
2014/2015	140,000	11,000	7,000	8,000

Having been self-employed for many years, Anupa recently took a part-time job on an annual salary of £25,000. She is due to be automatically enrolled into the companies GPP on 1 November 2017 and her employer will pay 4% of her basic salary into the scheme on the condition that she matches this payment. Anupa has been informed that she is able to make her contributions via salary exchange. The default investment is a target date fund based on her State Pension age.

Anupa is considering opting-out of her employer's GPP as she would like to commence phasing her retirement over the next three to five years.

Anupa already has a personal pension plan (PPP) which she fully crystallised into a capped drawdown arrangement in November 2014. Having taken the maximum pension commencement lump sum (PCLS), her residual fund is currently valued at £278,000 and she has currently made no income withdrawals. She has been informed that her current maximum annual withdrawal limit of £11,398 will increase to £12,927 per annum with effect from the next reference date.

Both Sanjay and Anupa have an adventurous attitude to risk.

**Questions**

To gain maximum marks for calculations you **must** show **all** your workings and express your answers to **two** decimal places.

- (a) In respect of Sanjay's ability to make pension contributions:
- (i) Calculate, **showing all of your workings**, Sanjay's tapered annual allowance for the tax year 2016/2017. (4)
  - (ii) Calculate, **showing all of your workings**, the total unused annual allowances that could be carried forward into the tax year 2017/2018. (8)
  - (iii) State the additional information required from Sanjay when determining the level of contribution he should make to his GPP in the tax year 2017/2018. (5)
  - (iv) Explain why it might be advantageous for Sanjay to restrict his total gross pension contributions for the tax year 2017/2018 to £60,000 and make any additional contributions in subsequent tax years. (9)
- (b) In respect of Sanjay's proximity to the lifetime allowance:
- (i) State the factors that you would take into account in assessing whether Sanjay's pension benefits are likely to exceed the lifetime allowance. (7)
  - (ii) Explain why Sanjay is unable to apply for any currently available forms of transitional protections. (5)
- (c) Explain the differences in tax treatment between an Enterprise Investment Scheme and the group personal pension plan in respect of:
- (i) Contributions paid by Sanjay; (6)
  - (ii) Benefits payable to Sanjay. (6)

**QUESTIONS CONTINUE OVER THE PAGE**

- (d)** In respect of Anupa's ability to join her employer's group personal pension plan (GPP):
- (i)** Explain why it would be beneficial for Anupa to join her employer's GPP and pay her contributions via salary exchange. **(6)**
  - (ii)** Explain why the default investment is unlikely to be a suitable option for Anupa. **(4)**
  - (iii)** Outline the factors that should be considered when recommending an investment fund that may be more suitable for Anupa. **(8)**
- (e)** If Anupa withdrew the maximum income from her capped drawdown arrangement and recycled this into her group personal pension plan as additional contributions:
- (i)** Outline the potential benefits and tax treatment of Anupa doing this and state why this will not be subject to the recycling rules. **(7)**
  - (ii)** Explain why Anupa's maximum level of withdrawal at the forthcoming review is different to her current maximum withdrawal. **(5)**
- Total marks available for this question: 80**

**Section B questions can be found on pages 8-10**

## SECTION B

**Both questions in this section are compulsory  
and carry an overall total of 80 marks**

**Question 2**

**Read carefully all information provided in the case study before attempting the questions. Your answers should take into account the clients circumstances as set out in the case study. Please carry out ALL of the tasks (a), (b), (c), (d) and (e) which follow.**

Ella, aged 43, has never been married and has no financial dependants. Until recently, she was employed as an editor by Gardiner Publishing Limited. A few years ago, she started to run her own yoga company in her spare time and in August 2017 made the decision to leave her job to concentrate fully on this new venture.

Ella is a deferred member of Gardiner Publishing Limited's defined benefit pension scheme. Prior to 6 April 2016, the scheme was contracted out. She recently requested a preserved benefit statement and cash equivalent transfer value (CETV) in respect of her benefits and these benefits can be summarised as follows:

**Gardiner Publishing Limited Staff Pension Scheme**

Date of joining scheme	1 June 1994
Date of leaving scheme	31 August 2017
Total pension at date of leaving	£11,500 per annum
State Pension deduction	£1,170 per annum
Guaranteed minimum pension revaluation	Fixed rate
Revaluation of pre-1997 excess benefits	Fixed at 5% per annum
Revaluation of post-1997 benefits	In line with increases in the Retail Prices Index (RPI) capped at 5% per annum
Increases to pensions in payment	In line with statutory requirements
Normal pension age (NPA)	60
CETV	£402,000

Although the pension scheme is underfunded, Ella's CETV has not been reduced. However, Ella is concerned about the funding position and is interested in receiving some advice about whether it would be in her best interests to transfer the current CETV into a personal pension plan.



**Questions**

- (a) In respect of the revaluation and escalation applied to Ella's benefits in the Gardiner Publishing Limited Staff Pension Scheme:
- (i) Explain how the level of revaluation applied to benefits in excess of guaranteed minimum pension is more generous than the statutory minimum requirements. (7)
  - (ii) Explain the impact that the introduction of the new State Pension will have on the level of escalation that will be applied to Ella's guaranteed minimum pension benefits once in payment. (4)
- (b) If the actuary had assumed a higher rate of future inflation, explain in detail the impact this would have had in the calculation of Ella's CETV. (9)
- (c) Explain to Ella why the financial strength of the employer is more important than the funding status of the scheme, when considering the security of her benefits. (5)
- (d) Explain how the State Pension deduction will be applied to Ella's scheme pension in retirement. (5)
- (e) Outline the additional information you should obtain about Ella's circumstances and objectives prior to advising her on the suitability of transferring her deferred benefits into a personal pension plan. (10)

**Total marks available for this question: 40**

**QUESTIONS CONTINUE OVER THE PAGE**

**Question 3**

**Read carefully all information provided in the case study before attempting the questions. Your answers should take into account the clients circumstances as set out in the case study. Please carry out ALL of the tasks (a), (b), (c) and (d) which follow.**

Gavin, aged 63, is married to Charlotte, aged 64. They are both employed and planning to retire next month when Charlotte reaches age 65.

Gavin has had several employers during his career and as a result has a retirement annuity contract, and a section 32 buy-out bond and two personal pension plans. The total value of these pension plans is £395,000. He is due to reach his State Pension age in January 2020.

Charlotte is already receiving a State Pension of £6,700 per annum. Her only other pension is her current employer's defined benefit pension scheme which has offered her a pension of £24,000 per annum or a pension commencement lump sum of £36,000 plus a reduced pension of £21,000.

Having carried out a detailed review of their income and expenditure requirements for the next few years, they wish to have a joint annual income of £36,000 net that increases each year to provide some protection against inflation. Gavin would like to consider consolidating his four pension plans and accessing his pension benefits through a flexi-access drawdown plan.

**Questions**

- (a)** State the additional information you would require in respect of Gavin's existing pension plans before advising him on the suitability of consolidating them. **(8)**
- (b)** Outline the main factors that should be taken into account when determining a sustainable level of income that could be drawn from the plan, assuming Gavin proceeds with the consolidation. **(10)**
- (c)** Outline the death benefits that would be available to Charlotte from a flexi-access drawdown plan following Gavin's death, and their tax treatment. **(10)**
- (d)** In respect of their State Pension benefits:
- (i)** Explain how Gavin's initial level of income will be calculated. **(6)**
- (ii)** Outline how both Gavin and Charlotte's State Pension income will increase in payment. **(6)**

**Total marks available for this question: 40**

**The tax tables can be found on pages 12 – 20**

## INCOME TAX

RATES OF TAX	2016/2017	2017/2018
Starting rate for savings*	0%	0%
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Starting-rate limit	£5,000*	£5,000*
Threshold of taxable income above which higher rate applies	£32,000	£33,500
Threshold of taxable income above which additional rate applies	£150,000	£150,000
Child benefit charge from 7 January 2013:		
1% of benefit for every £100 of income over	£50,000	£50,000
<i>*not applicable if taxable non-savings income exceeds the starting rate band.</i>		
Dividend Allowance		£5,000
Dividend tax rates		
Basic rate		7.5%
Higher rate		32.5%
Additional rate		38.1%
Trusts		
Standard rate band		£1,000
Rate applicable to trusts		
- dividends		38.1%
- other income		45%
<b>MAIN PERSONAL ALLOWANCES AND RELIEFS</b>		
Income limit for Personal Allowance §	£100,000	£100,000
Personal Allowance (basic)	£11,000	£11,500
Married/civil partners (minimum) at 10% †	£3,220	£3,260
Married/civil partners at 10% †	£8,355	£8,445
Transferable tax allowance for married couples/civil partners	£1,100	£1,150
Income limit for age-related allowances †	£27,700	£28,000
Rent a Room relief	£4,250	£7,500
Blind Person's Allowance	£2,290	£2,320
Enterprise Investment Scheme relief limit on £1,000,000 max	30%	30%
Seed Enterprise Investment relief limit on £100,000 max	50%	50%
Venture Capital Trust relief limit on £200,000 max	30%	30%
<i>§ the Personal Allowance reduces by £1 for every £2 of income above the income limit irrespective of age (under the income threshold).</i>		
<i>† where at least one spouse/civil partner was born before 6 April 1935.</i>		
Child Tax Credit (CTC)		
- Child element per child (maximum)	£2,780	£2,780
- family element	£545	£545
Threshold for tapered withdrawal of CTC	£16,105	£16,105

## NATIONAL INSURANCE CONTRIBUTIONS

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

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

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

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

*\*\* Secondary earnings threshold.*

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

## PENSIONS

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

### LIFETIME ALLOWANCE CHARGE

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

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

### ANNUAL ALLOWANCE

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

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

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

### MONEY PURCHASE ANNUAL ALLOWANCE

2016/2017	2017/2018
£10,000	£10,000

### ANNUAL ALLOWANCE CHARGE

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

## CAPITAL GAINS TAX

EXEMPTIONS	2016/2017	2017/2018
Individuals, estates etc	£11,100	£11,300
Trusts generally	£5,550	£5,650
Chattels proceeds (restricted to five thirds of proceeds exceeding limit)	£6,000	£6,000
<b>TAX RATES</b>		
Individuals:		
Up to basic rate limit	10%	10%
Above basic rate limit	20%	20%
Surcharge for residential property and carried interest	8%	8%
Trustees and Personal Representatives	20%	20%
Entrepreneurs' Relief* – Gains taxed at:	10%	10%
Lifetime limit	£10,000,000	£10,000,000

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

## INHERITANCE TAX

### RATES OF TAX ON TRANSFERS 2016/2017    2017/2018

Transfers made on death after 5 April 2015

- Up to £325,000	Nil	Nil
- Excess over £325,000	40%	40%

Transfers made after 5 April 2015

- Lifetime transfers to and from certain trusts	20%	20%
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*A lower rate of 36% applies where at least 10% of deceased's net estate is left to a registered charity.*

### MAIN EXEMPTIONS

Transfers to

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

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

Lifetime transfers

- Annual exemption per donor	£3,000	£3,000
- Small gifts exemption	£250	£250

Wedding/civil partnership gifts by

- parent	£5,000	£5,000
- grandparent/bride and/or groom	£2,500	£2,500
- other person	£1,000	£1,000

100% relief: businesses, unlisted/AIM companies, certain farmland/building

50% relief: certain other business assets

Reduced tax charge on gifts within 7 years of death:

- Years before death	0-3	3-4	4-5	5-6	6-7
- Inheritance Tax payable	100%	80%	60%	40%	20%

Quick succession relief:

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



## CAR BENEFIT FOR EMPLOYEES

The charge for company car benefits is based on the carbon dioxide (CO<sub>2</sub>) emissions. There is no reduction for high business mileage users.

### For 2017/2018:

- The percentage charge is 9% of the car's list price for CO<sub>2</sub> emissions of 50g/km or less.
- For cars with CO<sub>2</sub> emissions of 51g/km to 75g/km the percentage is 13%.
- For cars with CO<sub>2</sub> emissions of 76g/km to 94g/km the percentage is 17%.
- Cars with CO<sub>2</sub> emissions of 95g/km have a percentage charge of 18% and thereafter the charge increases by 1% for every complete 5g/km to a maximum of 37% (emissions of 200g/km and above).

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

**Car fuel** The benefit is calculated as the CO<sub>2</sub> emissions % relevant to the car and that % applied to a set figure (£22,600 for 2017/2018) e.g. car emission 100g/km = 17% on car benefit scale. 17% of £22,600 = £3,842.

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

## PRIVATE VEHICLES USED FOR WORK

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

## MAIN CAPITAL AND OTHER ALLOWANCES

2016/2017    2017/2018

Plant & machinery (excluding cars) 100% annual investment allowance (first year)	£200,000		£200,000
Plant & machinery (reducing balance) per annum	18%		18%
Patent rights & know-how (reducing balance) per annum	25%		25%
Certain long-life assets, integral features of buildings (reducing balance) per annum	8%		8%
Energy & water-efficient equipment	100%		100%
Zero emission goods vehicles (new)	100%		100%
Qualifying flat conversions, business premises & renovations	100%		100%
<b>Motor cars:</b> Expenditure on or after 01 April 2016 (Corporation Tax) or 06 April 2016 (Income Tax)			
CO <sub>2</sub> emissions of g/km:	75 or less*	76-130	131 or more
Capital allowance:	100%	18%	8%
	first year	reducing balance	reducing balance

*\*If new*

## MAIN SOCIAL SECURITY BENEFITS

		2016/2017	2017/2018
		£	£
Child Benefit	First child	20.70	20.70
	Subsequent children	13.70	13.70
	Guardian's allowance	16.55	16.70
Employment and Support Allowance	Assessment Phase		
	Age 16 – 24	Up to 57.90	Up to 57.90
	Aged 25 or over	Up to 73.10	Up to 73.10
	Main Phase		
	Work Related Activity Group	Up to 102.15	Up to 102.15
	Support Group	Up to 109.30	Up to 109.65
Attendance Allowance	Lower rate	55.10	55.65
	Higher rate	82.30	83.10
basic State Pension	Single	119.30	122.30
	Married	190.80	195.60
new State Pension	Single	155.65	159.55
Pension Credit	Single person standard minimum guarantee	155.60	159.35
	Married couple standard minimum guarantee	237.55	243.25
	Maximum savings ignored in calculating income	10,000.00	10,000.00
Bereavement Payment Support Payment*		2,000.00	2,000.00
Higher rate - lump sum		N/A	3,500.00
Higher rate - monthly payment		N/A	350.00
Standard rate – lump sum		N/A	2,500.00
Standard rate – monthly payment		N/A	100.00
Jobseekers Allowance	Age 18 - 24	57.90	57.90
	Age 25 or over	73.10	73.10
Statutory Maternity, Paternity and Adoption Pay		139.58	140.98
<i>Only applicable where spouse or civil partner died on or after 6 April 2007*</i>			

**CORPORATION TAX**

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

**VALUE ADDED TAX**

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

**STAMP DUTY LAND TAX**

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

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

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

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

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

The additional information for the pension papers can be found on pages 22 – 23

## Additional Information Pension Papers – AF3 2017/2018

### Revaluation

#### Guaranteed Minimum Pension – Fixed rate

Date of leaving service	Fixed rate of revaluation
Before 6 April 1988	8.5%
Between 6 April 1988 and 5 April 1993	7.5%
Between 6 April 1993 and 5 April 1997	7.0%
Between 6 April 1997 and 5 April 2002	6.25%
Between 6 April 2002 and 5 April 2007	4.5%
Between 6 April 2007 and 5 April 2012	4.0%
Between 6 April 2012 and 5 April 2017	4.75%
After 5 April 2017	3.5%

#### Non GMP benefits – statutory minimum rates

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

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

### Escalation

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

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

NOTE: Statutory escalation was based on RPI prior to 2011

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

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

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

### Pension Protection Fund

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

**Revaluation of deferred benefits within PPF**

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

**Escalation of benefits in payment from PPF**

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

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