

# Pension transfers

## AF7: 2018–19 edition

### Web update 3: 1 October 2018

Please note the following update to your 2018-19 edition of the **AF7** study text.

#### Chapter 2, section E2A, page 2/25

Please remove paragraph beginning with 'The first two elements of the process...'

#### Chapter 6, appendix 6.1, page 6/38

Question c. i. should be worded as follows (amendment in **bold**):

List the statutory **revaluation** rates that determine the minimum rates of increase that must be applied to the different elements of David's preserved pension.

#### Chapter 6, appendix 6.1, pages 6/40–41

The workings to answer e. should read as follows (amendments in **bold**):

- i. Current LTA £1,030,000  
David used up 62.84% on previous BCE  
Residual LTA remaining:  $£1,030,000 \times 37.16\% = \mathbf{£382,748}$  (3)
- ii. Calculate the capital value of the pension:  
 $£26,309.79 \times 20 = £526,195.80$   
Deduct the available LTA from the capital value:  
 $£526,195.80 - \mathbf{£382,748} = \mathbf{£143,447.80}$   
Apply tax charge of 25% as excess taken as income:  
 $\mathbf{£143,447.80} \times 25\% = \mathbf{£35,861.95}$   
Apply the cash commutation rate to calculate the reduction  
in pension:  $\mathbf{£35,861.95} \div 18.41 = \mathbf{£1,947.96}$   
Net pension after LTA:  $£26,309.79 - \mathbf{£1,947.96} = \mathbf{£24,361.83}$  p.a. (7)
- iii. Deduct the available LTA from the transfer value to calculate  
the excess:  
 $(£767,760 + £1,440.37) - \mathbf{£382,748} = \mathbf{£386,452.37}$   
Apply tax rate of 55% as benefits taken as lump sum:  
 $\mathbf{£386,452.37} \times 55\% = \mathbf{£212,548.80}$  (5)