Chartered Insurance Institute

AF3

Advanced Diploma in Financial Planning

Unit AF3 – Pension planning

April 2018 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), (e) and (f) which follow.

Julia is aged 49. In January 2018 her husband Luke, aged 58, died as a result of an accident. The couple have twin sons, aged 16, who are financially dependent on Julia.

At the time of his death Luke was employed by WDWB Ltd. He had the following pension based death benefits and no form of transitional protection.

Scheme	Death Benefit	Notes
WDWB Ltd Death in Service (DIS) Scheme	£1,000,000	Written under registered pension scheme rules.
WDWB Ltd Group Personal Pension Plan (GPP)	£780,000	Scheme rules allow the payment of flexible benefits.
Capped drawdown plan	£69,700	Luke crystallised a personal pension plan (PPP) valued at £80,000 in March 2015. He took the maximum pension commencement lump sum and placed the balance into drawdown.
Deferred benefits held in the RTDQ Ltd Defined Benefit (DB) Scheme	£15,000 per annum, spouse's scheme pension	The spouse's scheme pension commenced 1 March 2018. The whole pension increases in line with Consumer Price Index capped at 5%. The pension will cease if Julia remarries.

Luke nominated Julia to receive the benefits held in the GPP and capped drawdown plan. Julia has been notified by both schemes that the nomination forms will be honoured, and has been asked in what format she wishes the death benefits to be paid.

Luke nominated the DIS benefits into a spousal by-pass trust. The trustees of the spousal by-pass trust are Luke's brother and Julia. Luke included a letter of wishes stating that Julia should be the primary beneficiary during her lifetime and their sons should be the beneficiaries following her death. The letter also states that if Julia remarries she should no longer be considered a beneficiary of the trust. The trustees of the DIS scheme have contacted Julia to advise her that they are prepared to pay the death benefits to the spousal by-pass trust, but will pay the benefits directly to her if she prefers.

Julia has a self-invested personal pension plan (SIPP) valued at £860,000. The plan was established in 2016 when Julia transferred her benefits under a previous employer's defined benefit (DB) scheme into the SIPP. The DB scheme was contracted out prior to 2016.

Prior to Luke's death Julia was considering using £400,000 of the funds within her SIPP to purchase a commercial property which would then be let to her sister's private limited company. Julia is still interested in pursuing this investment opportunity. The funds in the SIPP are currently invested in directly held shares and in equity-based unit trusts.

Julia, who in the past has had an adventurous attitude to risk, has always taken responsibility for managing the investments held within her SIPP and the couple's investment portfolio. The investment portfolio comprises of ISAs valued at £160,000 and various equity-based unit trusts valued at £195,000.

In 2016 Julia started studying full-time for a master's degree, but postponed her studies following Luke's death. She intends to resume her studies once her sons start university.

Julia has calculated that she will need a net income of £48,000 per annum until her sons finish school in two years' time. She will then use some of the funds held in the ISAs to pay the boys' fees and living costs whilst at university. Julia does not expect to return to paid work.

The unit trusts were placed into Julia's sole name in 2016, when she started studying for her master's degree. Since then her only sources of income have been the Child Benefit she receives, plus a dividend income of approximately £7,800 per annum from the unit trusts.

In addition to the assets shown, Julia has inherited the family home valued at £950,000. The property is mortgage free.

QUESTIONS CONTINUE OVER THE PAGE

Questions

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

(a) Julia has been warned that there will be a lifetime allowance tax charge payable as a result of Luke's death.

(i) In respect of Luke's pension based death benefits, explain, giving your reasons, how they will each be treated for lifetime allowance purposes. **(8)**

(ii) Calculate, **showing all your workings**, the lifetime allowance tax charge payable as a result of Luke's death. *You should assume that the remaining death benefits are paid in the tax year 2017/2018 and that the excess over the lifetime allowance is taken as a lump sum.* **(6)**

(b) Julia would like to understand more about the various pension death benefits.

(i) Explain how and why the tax treatment of Julia's dividend income will change, now that Julia is receiving an income from the spouse's scheme pension. **(5)**

(ii) Outline the death benefit options available to Julia from the Death in Service scheme and the capped drawdown fund. *Your answer does **not** need to cover the tax treatment of these options.* **(5)**

(iii) Explain the factors you would take into consideration before recommending to Julia whether the DIS death benefits should be paid directly to her or into the spousal by-pass trust. **(9)**

(iv) Explain why you would recommend that the death benefits under the GPP should be designated to a dependant's flexi-access drawdown contract, **and** explain why this should be done **before** the death benefits under the DIS scheme are paid. *You should assume that the benefits under the DIS scheme will be paid into the spousal by-pass trust.* **(10)**

(c) Julia would like all the pension funds to pass to her sons in the event of her death, whenever that may occur.

Explain, in detail, why it is important that she completes nomination forms to this effect. **(8)**

(d) Julia does not expect to return to paid work.

Identify the additional information you will require from Julia before recommending how she should draw an income from her various pensions and investments. **(9)**

(e) Julia is interested in selling some of the investments held in her SIPP and then using these funds to purchase a commercial property that would be let to her sister's private limited company.

Outline **four** potential benefits and **six** potential drawbacks to Julia of undertaking these actions. **(10)**

(f) Explain to Julia why, based on the circumstances set out in the case study, she may not receive a full State Pension when she reaches State Pension age. **(10)**

Total marks available for this question: 80

QUESTIONS CONTINUE OVER THE PAGE

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) and (c) which follow.

Oliver, aged 59, is married to Anita, aged 64. They have two, non-financially dependant, children. The couple, who are in excellent health, have an equity-based investment portfolio valued at £120,000. Anita expects to inherit around £800,000 upon the death of her parents, who are currently aged 87 and 89. Oliver's parents both died before the age of 70.

Oliver was made redundant in December 2017 and has no intention of returning to work. He has no form of transitional protection and the following preserved pension benefits:

	Rosy plc DB Scheme	Bloxon Ltd DB Scheme
Normal pension age (NPA)	60	65
Date of joining	5 June 1982	1 February 1992
Date of leaving	20 January 1992	31 December 2017
Pre-commutation pension at NPA	£6,000 per annum	£46,000 per annum
Revaluation of GMP	Fixed rate	
Revaluation of excess over GMP	Statutory minimum	Pre-09: RPI capped @ 5% Post-09: RPI capped @ 2.5%
Escalation of GMP benefits	In line with statutory requirements	
Escalation of non GMP benefits	Retail Prices Index (RPI)	Pre-05: RPI capped @ 5% Post-05: RPI capped at 2.5%
Spouse's pension	2/3rds of member's pension	2/3rds of member's pension
Early retirement factor	3% per annum	5% per annum
CETV at 1 April 2018	£190,000	£1,196,000

Anita is a member of her company's defined benefit scheme. She plans to retire and take her benefits in June 2018 and has been offered an initial scheme pension of £12,500 per annum, or a reduced scheme pension of £8,036 per annum plus HM Revenue and Customs maximum pension commencement lump sum (PCLS) of £53,571. All pension income escalates in payment in line with RPI to a maximum of 5% per annum. Once Anita retires the couple will need a net income of £40,000 per annum, increasing with inflation.

Oliver's State Pension age is 66, and his State Pension is projected to be £142 per week. Anita is already receiving her State Pension of £146 per week.

Questions

(a) The Bloxon Ltd DB Scheme is significantly underfunded, and the company is experiencing financial difficulties. As a result, there is a strong possibility that the scheme will enter the Pension Protection Fund (PPF) before Oliver reaches the scheme's normal pension age.

In the event that this occurs, explain in detail, how Oliver's benefits under the scheme will **change** in respect of the:

(i) level of pension benefits provided; **(6)**

(ii) rates of escalation applied to benefits once in payment. **(7)**

(b) Oliver would like advice on how best to take the benefits from his two pension schemes.

Explain, giving your reasons, why you have recommended that he should:

(i) Take the benefits from the Rosy plc DB Scheme at age 60, in the form of a scheme pension, rather than transferring in order to access them flexibly. **(8)**

(ii) Transfer the benefits from the Bloxon Ltd DB Scheme to a personal pension plan, in order to access the benefits flexibly, rather than taking an immediate scheme pension. **(13)**

(c) Anita intends to take the benefits from her defined benefit scheme in June 2018.

Outline the factors you would take into account when advising Anita on whether she should commute any of her pension income in order to take some of her benefits in the form of a pension commencement lump sum. **(8)**

Total marks available for this question: 42

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) and (c) which follow.

Ian, aged 46, is married to Brian, aged 44. Both are in excellent health with family histories of above average longevity. They plan to retire when Ian reaches age 60, and then travel extensively for a number of years.

Ian owns a chain of garages. In 2017/2018 he will take a salary of £45,000 and dividends of £90,000. Ian wishes to make a gross contribution to his personal pension plan (PPP) of £45,000 before the end of the current tax year. He has the option of paying this personally from savings, or as an employer contribution. There have been no other pension contributions made during 2017/2018 and he has £18,000 of unused annual allowance available to carry forward.

Brian has been self-employed since 2012 and has taxable profits for 2017/2018 of £160,000. In recent years, in order to increase his retirement provision and to help reduce his Income Tax liability, Brian has made lump sum payments into a personal pension plan. This is currently valued at £180,000 and Brian, who has a medium attitude to risk, is disappointed with the investment performance.

Between 1993 and 2012 Brian was a member of a defined benefit scheme. The cash equivalent transfer value (CETV) of these benefits is £880,000 and he has recently received a Transfer Value Analysis (TVA) report showing a critical yield of 9.2% per annum, calculated to the scheme's normal pension age of 65. Brian has not registered for any form of transitional protection.

Brian will receive a substantial inheritance when his parents die. They are aged 68 and 72 and as both are in good health, Brian believes it could be 20 years or more before he receives this inheritance.

Assuming he has not received his inheritance at the point he retires, Brian plans to use his pension commencement lump sum to fund his share of the travel costs. He does not intend to take any income from his pension fund until he and Ian have returned permanently to the UK.

Questions

(a) You have recommended that Ian should pay the £45,000 gross pension contribution as a personal contribution and not as an employer contribution.

(i) Demonstrate, **using calculations to support your answer**, how making the contribution personally will maximise Ian's annual allowance for 2017/2018. **(8)**

(ii) Demonstrate, **using calculations to support your answer**, how Ian will receive a marginal rate of tax relief on the contribution in excess of 40%. *You should assume the contribution is paid personally by Ian and is made in the tax year 2017/2018.* **(8)**

(b) Brian is interested in transferring the benefits from his defined benefit scheme to his personal pension plan (PPP), but would like to understand more about the critical yield.

(i) Explain what the critical yield figure quoted in the transfer value analysis (TVA) report represents. **(5)**

(ii) Based on Brian's circumstances and objectives, explain in detail why the critical yield shown in the TVA report is not an accurate representation of the investment return required. **(7)**

(c) Based on the information provided in the case study, outline the factors that you would take into account when advising Brian on a suitable investment strategy for his personal pension plan. **(10)**

Total marks available for this question: 38

The tax tables can be found on pages 13 – 21

INCOME TAX

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

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

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

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

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

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

NATIONAL INSURANCE CONTRIBUTIONS

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

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

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

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

*** Secondary earnings threshold.*

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

PENSIONS

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

LIFETIME ALLOWANCE CHARGE

55% of excess over lifetime allowance if taken as a lump sum.
25% of excess over lifetime allowance if taken in the form of income, which is subsequently taxed under PAYE.

ANNUAL ALLOWANCE

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

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

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

MONEY PURCHASE ANNUAL ALLOWANCE	2016/2017	2017/2018
	£10,000	£4,000

ANNUAL ALLOWANCE CHARGE

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

CAPITAL GAINS TAX

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

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

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

INHERITANCE TAX

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

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

MAIN EXEMPTIONS

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

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

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

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

Reduced tax charge on gifts within 7 years of death:

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

Quick succession relief:

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

CAR BENEFIT FOR EMPLOYEES

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

For 2017/2018:

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

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

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

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

PRIVATE VEHICLES USED FOR WORK

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

MAIN CAPITAL AND OTHER ALLOWANCES

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

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

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

**If new*

MAIN SOCIAL SECURITY BENEFITS

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

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

CORPORATION TAX

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

VALUE ADDED TAX

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

STAMP DUTY LAND TAX

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

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

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

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

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

The additional information for the pension papers can be found on pages 23 – 24

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

NOTE: Statutory escalation was based on RPI prior to 2011

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

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

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

Pension Protection Fund

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

Revaluation of deferred benefits within PPF

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

Escalation of benefits in payment from PPF

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

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