Transfer Value Comparison

for

Example Client

Created by Ray Adams

CashCalc Ltd

Introduction

The following report contains a "Transfer Value Comparator (TVC)" forecast. This compares your currently offered transfer value instead of your pension income with the amount you would need to purchase the same income on the open market. This report will help illustrate the differences between a defined benefit environment and a defined contribution environment to help you decide which is the best option in your individual circumstances.

The assumptions included in this report are prescribed by the Financial Conduct Authority (FCA). They cover the growth of your pension fund, how your pension is converted from a fund into an annual pension as well as inflation rates changing as time goes on.

Overview

Forecasts included:

- Example TVC Forecast

Forecast: Example TVC Forecast

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.

Assumptions:

RPI Annuity Interest Rate	**-2.20% per annum**
Level Annuity Interest Rate	**1.30% per annum**
Retail Price Index	**2.50% per annum**
Consumer Price Index	**2.00% per annum**
Statutory Orders	**4.00% per annum**
Section 148 Orders	**4.00% per annum**
Discount Rate	**1.59% per annum**

Risk free rate of return that your pension will be assumed to increase by per annum, this can change depending on term to retirement

Product Charge	**0.75% per annum**

This is the assumed annual charge on the investment.

Annuity Purchase Charge	**4.00%**

Forecast: Example TVC Forecast

Inputs:

Client name	Example Client
Client's Date of Birth:	4th Oct 1964
Date of joining pension scheme:	1st Jan 1990
Date of leaving pension scheme:	1st Jan 2010
Date of calculation:	4th Oct 2018
Normal retirement age:	65 (4th Oct 2029)
Desired retirement age:	55 (4th Oct 2019)
Time until retirement:	11 years, 0 months
Cash Equivalent Transfer Value (CETV):	**£240,000.00**
Scheme name:	Generic Scheme

Retirement benefit details

Group name
Primary benefits

Retirement age
65

Benefit type	Annual amount	Date Given	Deferment revaluation	Escalation in payment	Guarantee	DAR
Post-88 GMP	£24.96	Date of Leaving	4%	CPI max 3%	5 years	50%
Excess (pre-97)	£72.62	Date of Leaving	CPI max 5%	CPI max 5%	5 years	50%
Excess (post-97)	£1,779.07	Date of Leaving	CPI max 5%	CPI max 5%	5 years	50%
Excess	£6,000.00	Date of Leaving	CPI max 3%	CPI max 3%	5 years	50%
Pension Income	**£7,876.65**					
Lump Sum	**£0.00**					

Early Retirement

Percentage adjustment	5% per year
Where benefits have been revalued to age	55
Earliest age without penalty	65

Death benefit details

Group name
Primary benefits

Retirement age
65

Benefit type	Annual amount	Date Given	Deferment revaluation	Escalation in payment
Post-88 GMP	£12.48	Date of Leaving	4%	CPI
Excess (pre-97)	£36.31	Date of Leaving	CPI max 5%	CPI
Excess (post-97)	£889.54	Date of Leaving	CPI max 5%	CPI
Excess	£3,000.00	Date of Leaving	CPI max 8%	CPI
Pension Income	**£3,938.33**			

Benefit type	Annual amount	Date Given	Deferment revaluation
Lump sum	£0.00	Date of Leaving	4%

Forecast: Example TVC Forecast

Revalued benefits at normal retirement date (age 65)

Name	Date of leaving	Date of calculation	Normal retirement date
Post-88 GMP	£24.96	£34.16	£59.28
Excess (pre-97)	£72.62	£85.27	£107.06
Excess (post-97)	£1,779.07	£2,088.89	£2,622.73
Excess	£6,000.00	£6,903.99	£8,668.40
Annual pension amount	**£7,876.65**	**£9,112.30**	**£11,457.47**
Spouse's DAR pension	£3,938.33	£4,556.15	£5,728.74

Revalued benefits at desired retirement date (age 55)

Name	Date of leaving	Date of calculation	Desired retirement date
Post-88 GMP	£24.96	£34.16	£35.53
Excess (pre-97)	£72.62	£85.27	£43.75
Excess (post-97)	£1,779.07	£2,088.89	£1,071.69
Excess	£6,000.00	£6,903.99	£3,542.05
Annual pension amount	**£7,876.65**	**£9,112.30**	**£4,693.01**
Spouse's DAR pension	£3,938.33	£4,556.15	£2,346.50

TVC - Normal Retirement Age, 65

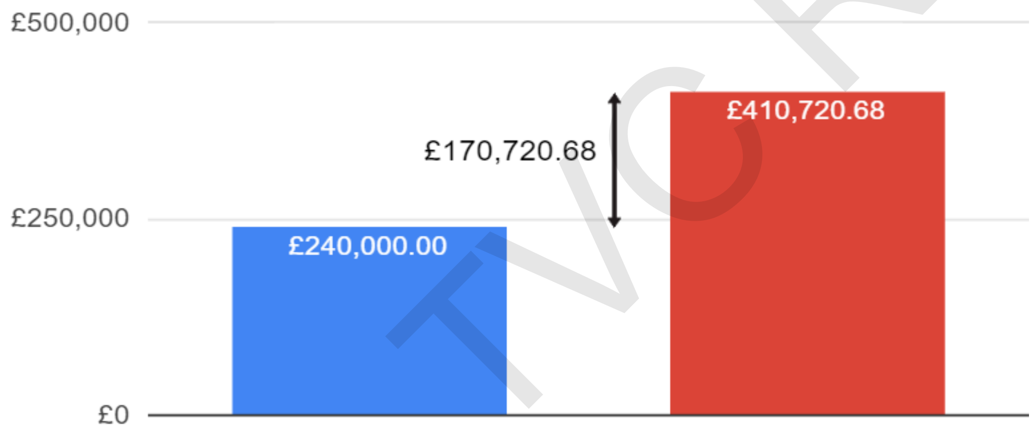
You have been offered a cash equivalent transfer value of £240,000.00 in exchange for you giving up any future claims to a pension from the scheme.

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 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 £410,720.68 to obtain a comparable level of income from an insurer.

This means the same retirement income could cost you £170,720.68 more by transferring.



The critical yield value for this comparison is 6.64%

The Critical Yield is the annual percentage increase required on the CETV amount (accounting for charges of 0.75% annual product charge and 4% annuity purchase charge) to grow your pension pot to the required capitalised value at normal retirement date.

The capitalised value is the total pot required to purchase the annuity prior to discounting back to the TVC value.

Calculation process

1. *Based on benefits of £11,457 at normal retirement age.*
2. *These benefits are then capitalised by the calculated annuity rates to calculate the monetary amount required to purchase the annuity to match the benefits.*
3. *A 4% annuity purchase charge is then applied.*
4. *The capitalised amount is then discounted by the risk free rate of return of that your pension will be assumed to increase by per annum of 1.59%.*
5. *A 0.75% annual product charge is then applied.*
6. *Thus getting the current Transfer Value Comparator figure.*

TVC - Desired Retirement Age, 55

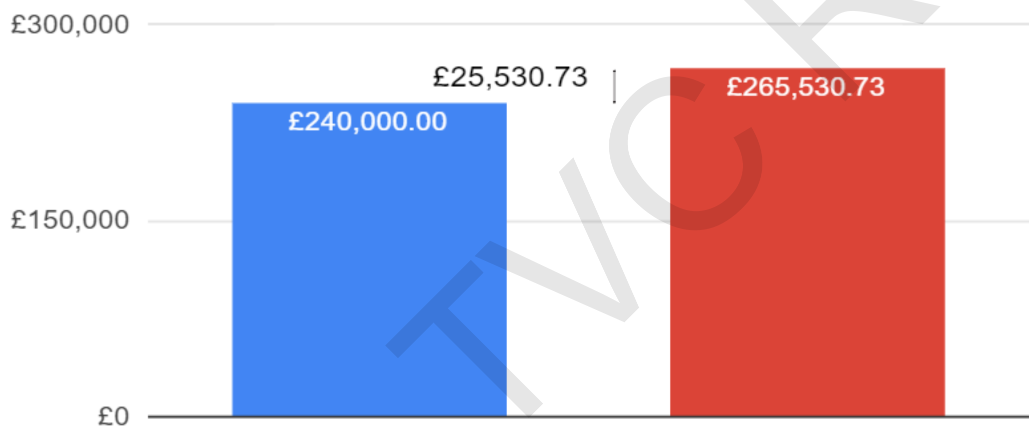
You have been offered a cash equivalent transfer value of £240,000.00 in exchange for you giving up any future claims to a pension from the scheme.

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 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 £265,530.73 to obtain a comparable level of income from an insurer.

This means the same retirement income could cost you £25,530.73 more by transferring.



The critical yield value for this comparison is 11.61%

The Critical Yield is the annual percentage increase required on the CETV amount (accounting for charges of 0.75% annual product charge and 4% annuity purchase charge) to grow your pension pot to the required capitalised value at normal retirement date.

The capitalised value is the total pot required to purchase the annuity prior to discounting back to the TVC value.

Calculation process

1. *Based on benefits of £4,693 at desired retirement age.*
2. *These benefits are then capitalized by the current annuity rates to calculate the monetary amount required to purchase the annuity to match the benefits.*
3. *A 4% annuity purchase charge is then applied.*
4. *The capitalised amount is then discounted by the risk free rate of return of that your pension will be assumed to increase by per annum of 0.95%.*
5. *A 0.75% annual product charge is then applied.*
6. *Thus getting the current Transfer Value Comparator figure.*

FCA 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.*

This table belong to COBS 19 Annex 5 1.2R.

COBS is the Conduct of Business Sourcebook, issued by the Financial Conduct Authority (FCA).

Forecast: Example TVC Forecast

Pension Protection Fund (PPF)

The Pension Protection Fund is a pension scheme that offers compensation when an employer cannot provide the amount promised in a defined benefit pension scheme. The scheme doesn't guarantee covering the entire amount that would have been paid by the original defined benefit scheme, and will only pay an amount it has sufficient funds to provide.

Revalued benefits with PPF at normal retirement date

Name	Date of leaving	Date of calculation	Normal retirement date
Post-88 GMP	£24.96	£34.16	£47.48
Excess (pre-97)	£72.62	£85.27	£95.42
Excess (post-97)	£1,779.07	£2,088.89	£2,337.54
Excess	£6,000.00	£6,903.99	£7,725.82
Annual pension amount	**£7,876.65**	**£9,112.30**	**£10,206.26**

TVC - PPF based analysis at normal retirement age, 65

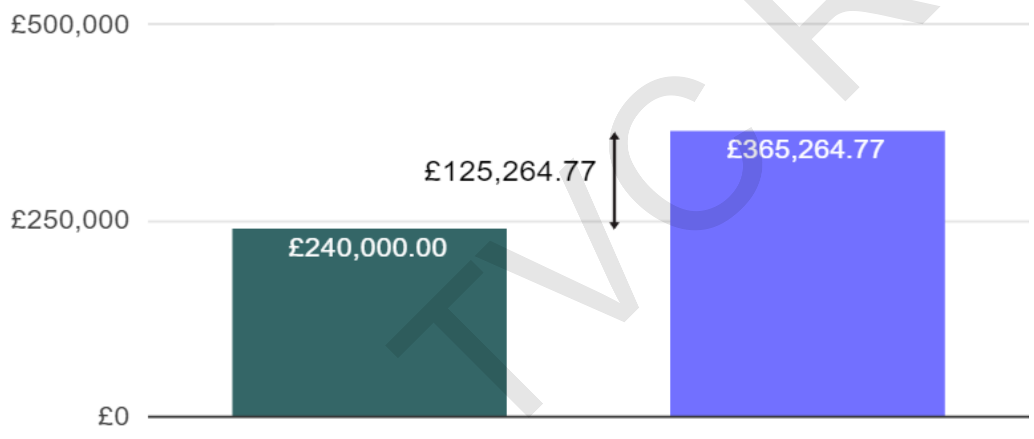
You have been offered a cash equivalent transfer value of £240,000.00 in exchange for you giving up any future claims to a pension from the scheme.

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 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 £365,868.03 to obtain a comparable level of income from an insurer.

This means the same retirement income could cost you £125,868.03 more by transferring.



The critical yield value for this comparison is 5.53%

The Critical Yield is the annual percentage increase required on the CETV amount (accounting for charges of 0.75% annual product charge and a 4% annuity purchase charge) to grow your pension pot to the required capitalised value at normal retirement date.

The capitalised value is the total pot required to purchase the annuity prior to discounting back to the TVC value.

Calculation process

1. *Based on benefits of £10,206 at normal retirement age.*
2. *These benefits are then capitalized by the calculated annuity rates to calculate the monetary amount required to purchase the annuity to match the benefits.*
3. *A 4% annuity purchase charge is then applied.*
4. *The capitalised amount is then discounted by the risk free rate of return of that your pension will be assumed to increase by per annum of 1.59%.*
5. *A 0.75% annual product charge is then applied.*
6. *Thus getting the current Transfer Value Comparator figure.*