# WORKED ANSWER RST SCHEME ACTIVE => RETIREMENT (ILL HEALTH)

# LEWIS PETERSEN

Date of birth: 03/06/1965

Date of retirement: 06/09/2021

Age at date of retirement: 56 years & 3 months

Normal pension age: 65

Type of retirement: Ill health retirement

Spouse’s date of birth: 19/01/1965 (spouse < 10 years younger)

Pre 6 April 2006 CARE pension @ 5 April 2021: £1,522.80

Post 5 April 2006 CARE pension @ 5 April 2021: £7,650.95

Pro-rata CPI: 1.40%

Pensionable earnings figure from 6 April 2021: £70,450.00 [(£68,350+£70,000+£73,000) / 3] Final scheme year pensionable service to NPD: 9yrs & 1mths (06/04/2021-03/06/2030) Contractual salary: £73,629.23

Underpin - total service to NPD: 27yrs & 1mths (06/04/2003-03/06/2030)

Underpin - pre ’06 service: 3yrs & 0mths (06/04/2003-05/04/2006)

Underpin - post ’06 service to NPD: 24yrs & 1mth (06/04/2006- 03/06/2030)

S/Life AVC pension (payable immediately): £ 1,361.93

J/Life AVC pension (payable immediately): £ 1,152.03

Current value of AVC fund: £26,602.12

Commutation factor: 15.90 (Age 56yrs & 3mths)

[15.96 – (0.24 x 3/12 = 0.06) = 15.90]

# CARE Pension Member Spouse (*40%*)

Pre 6 April 2006 CARE pension: £ 1,522.80 Pro-rata CPI increase: £1,522.80 x 1.40% = £ 21.32

Total ***£ 1,544.12 pa*** ***£617.65 pa***

Post 5 April 2006 CARE pension: £ 7,650.95 Pro-rata CPI increase: £7,650.95 x 1.40% = £ 107.11

Final Scheme Year Pension to NPD: £70,450.00 x 91/12 x 1/80 = £ 7,999.01

Total ***£ 15,757.07 pa*** ***£6,302.83 pa***

# Total CARE Pension:

£1,544.12 + £15,757.07 = **£ 17,301.19 pa £6,920.48 pa**

# Final Salary Underpin

Underpin - Pre ’06: £73,629.23 x 3 x 1/100 = ***£ 2,208.88 pa***

Underpin - Post ’06 £73,629.23 x 241/12 x 1/100 = ***£ 17,732.37 pa***

# Total Underpin Pension:

£2,208.88 + £17,732.37 = **£ 19,941.25 pa**

Spouse’s Pension = £7,976.50 pa (Pre ’06 = £883.55 pa & Post ’06 = £7,092.95 pa)

**Total Underpin Pension (excluding AVCs) of £19,941.25 pa exceeds Total CARE Pension of**

# £17,301.19 pa (excluding AVCs)!

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| --- | --- | --- |
| **Option 1 – Full Pension (including single life AVC)**CARE pension: | **Member**£19,941.25 | **Spouse** (***40%***)£7,976.50 |
| Plus single life AVC pension:Total pension: | £ 1,361.93**£21,303.18 pa** | £ 0.00**£7,976.50 pa** |

***Lifetime Allowance Check*:** £21,303.18 x 20 x 100 / £1,073,100.00 = **39.70%**

|  |  |
| --- | --- |
| *39.70% is within the member’s LTA balance of 100.00%* |  |
| **OR** |
| **Option 1 – Full Pension (including joint life AVC)** | **Member** | **Spouse** (***40%***) |
| CARE pension: |  £19,941.25 | £7,976.50 |
| Plus joint life AVC pension:Total pension: |  £ 1,152.03**£21,093.28 pa** | £ 460.81**£8,437.31 pa** |

***Lifetime Allowance Check*:** £21,093.28 x 20 x 100 / £1,073,100.00 = **39.31%** *39.31% is within the member’s LTA balance of 100.00%*

# Option 2 – Pension Commencement Lump Sum & Residual Pension

# Lump Sum

20 x £19,941.25 / [3 + (20 / 15.90)] = £ 93,667.91

Plus 25% of current value of AVC fund (£26,602.12 x 25%) = £ 6,650.53

Total **£100,318.44**

***Lifetime Allowance Check*:** £100,318.44 x 100 / £1,073,100.00 = **9.34%**

# Residual Pension

£19,941.25 – ([£100,318.44 - £26,602.12] / 15.90 = £4,636.25) = **£ 15,305.00 pa**

Pre 6 April 2006 = ***£ 2,208.88 pa***

Post 5 April 2006 = ***£ 13,096.12 pa***

Spouse’s Pension unchanged @ **£7,976.50 pa** (Pre ’06 = ***£883.55 pa*** & Post ’06 = ***£7,092.95 pa***)

***Lifetime Allowance Check*:** £15,305.00 x 20 x 100 / £1,073,100.00 = **28.52%**

Total Lifetime Allowance for Option 2 = 9.34 + 28.52 = **37.86%**

# *37.86% is within the member’s LTA balance of 100.00%*

# Summary Answer

*Option 1A – Pension Only (AVCs single life)*

A full pension of **£21,303.18** **per annum**, of which **£2,208.88** **per annum** increases at the lower of RPI and 5.0% (pre-2006), **£17,732.37** **per annum** increases at the lower of RPI and 2.5% (post-2006) and **£1,361.93** **per annum** increases at the lower of RPI and 2.5% (S/life AVCs). LTA used is **39.70%**, which is within the percentage LTA remaining of **100.00%**.

A spouse’s pension of **£7,976.50** **per annum**, of which **£883.55** **per annum** increases at the lower of RPI and 5.0% (pre-2006) and **£7,092.95** **per annum** increases at the lower of RPI and 2.5% (post-2006).

OR

*Option 1B – Pension Only (AVCs joint life)*

A full pension of **£21,093.28** **per annum**, of which **£2,208.88** **per annum** increases at the lower of RPI and 5.0% (pre-2006), **£17,732.37** **per annum** increases at the lower of RPI and 2.5% (post-2006) and **£1,152.03** **per annum** increases at the lower of RPI and 2.5% (J/life AVCs). LTA used is **39.31%**, which is within the percentage LTA remaining of **100.00%**.

A spouse’s pension of **£8,437.31** **per annum**, of which **£883.55** **per annum** increases at the lower of RPI and 5.0% (pre-2006), **£7,092.95** **per annum** increases at the lower of RPI and 2.5% (post-2006) and **£460.81** **per annum** increases at the lower of RPI and 2.5% (J/life AVCs).

OR

*Option 2 – Pension Commencement Lump Sum & Residual Pension*

A pension commencement lump sum of **£100,318.44** (inclusive of the current value of the member’s AVC fund of **£26,602.12**) plus a residual pension of **£15,305.00** **per annum**, of which **£2,208.88** **per annum** increases at the lower of RPI and 5.0% (pre-2006) and **£13,096.12** **per annum** increases at the lower of RPI and 2.5% (post-2006). LTA used is **9.34%** for the pension commencement lump sum and **28.52%** for the residual pension [total LTA = **37.86%**], which is within the percentage LTA remaining of **100.00%**.

A spouse’s pension of **£7,976.50** **per annum**, of which **£883.55** **per annum** increases at the lower of RPI and 5.0% (pre-2006) and **£7,092.95** **per annum** increases at the lower of RPI and 2.5% (post-2006).

**Note**

If Lewis Petersen wishes to take his AVCs flexibly outside of the RST Pension Scheme, he can transfer them to a suitable alternative arrangement that is willing and able to accept them.