# WORKED ANSWER RST SCHEME ACTIVE => RETIREMENT (EARLY)

# JULIE GURNEY

Date of birth: 22/10/1962

Date of retirement: 06/09/2021

Age at date of retirement: 58 years & 10 months

Normal pension age: 65

Type of retirement: Early retirement

Spouse’s date of birth: 09/05/1975 (> 10 years younger!)

Pre 6 April 2006 CARE pension @ 5 April 2021: £12,240.80

Post 5 April 2006 CARE pension @ 5 April 2021: £15,185.64

Pro-rata CPI: 1.40%

Pensionable earnings figure from 6 April 2021: £90,500.00 [(£87,000+£91,000+£93,500) / 3] Final scheme year pensionable service (50ths): 5mths (06/04/2021-06/09/2021)

Contractual salary: £94,000.00

Underpin - total service to DOR: 25yrs & 5mths (06/04/1996-06/09/2021)

Underpin - pre ’06 service: 10yrs & 0mths (06/04/1996-05/04/2006)

Underpin - post ’06 service to DOR: 15yrs & 5mths (06/04/2006-06/09/2021)

Commutation factor: 15.28 (Age 58yrs & 10mths)

[15.48 – (0.24 x 10/12 = 0.20) = 15.28]

Early Retirement Factor: 75% (Age 58yrs & 10mths)

[72 + (4 x 10/12 = 3.33) = 75.33%]

# CARE Pension Member Spouse (*40%*)

Pre 6 April 2006 CARE pension: £ 12,240.80

Pro-rata CPI increase: £12,240.80 x 1.40% = £ 171.37

Total ***£ 12,412.17 pa***

Early retirement factor: £12,412.17 x 75% = ***£ 9,309.13 pa*** ***£3,723.65 pa***

Post 5 April 2006 CARE pension: £ 15,185.64 Pro-rata CPI increase: £15,185.64 x 1.40% = £ 212.60

Final Scheme Year Pension to DOR: £90,500.00 x 5/12 x 1/50 = £ 754.17

Total ***£ 16,152.41 pa***

Early retirement factor: £16,152.41 x 75% = ***£ 12,114.31 pa*** ***£4,845.72 pa***

# Total CARE Pension:

£9,309.13 + £12,114.31 = **£ 21,423.44 pa £8,569.37 pa**

# Final Salary Underpin

Underpin - Pre ’06: £94,000.00 x 10 x 1/100

x 75% = ***£ 7,050.00 pa***

Underpin - Post ’06 £94,000.00 x 155/12 x 1/100 =

x 75% = ***£ 10,868.75 pa***

# Total Underpin Pension:

£7,050.00 + £10,868.75 = **£ 17,918.75 pa**

# Total CARE Pension of £21,423.44 pa exceeds Total Underpin Pension of £17,918.75 pa!

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| **Option 1 – Full Pension**  CARE pension: | **Member**  **£21,423.44 pa** | **Spouse** (***40%***)  **£8,569.37 pa** |

***Lifetime Allowance Check*:** £21,423.44 x 20 x 100 / £1,073,100.00 = **39.92%**

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| *39.92% is within the member’s LTA balance of 100.00%* |  |

# Option 2 – Pension Commencement Lump Sum & Residual Pension

# Lump Sum

20 x £21,423.44 / [3 + (20 / 15.28)] = **£ 99,438.08**

***Lifetime Allowance Check*:** £99,438.08 x 100 / £1,073,100.00 = **9.26%**

# Residual Pension

£21,423.44 – (£99,438.08 / 15.28 = £6,507.73) = **£ 14,915.71 pa**

Pre 6 April 2006 = ***£ 9,309.13 pa***

Post 5 April 2006 = ***£ 5,606.58 pa***

Spouse’s Pension unchanged @ **£8,569.37 pa** (Pre ’06 = ***£3,723.65 pa*** & Post ’06 = ***£4,845.72 pa***)

***Lifetime Allowance Check*:** £14,915.71 x 20 x 100 / £1,073,100.00 = **27.79%**

Total Lifetime Allowance for Option 2 = 9.26 + 27.79 = **37.05%**

# *37.05% is within the member’s LTA balance of 100.00%*

# Summary Answer

*Option 1 – Pension Only*

A full pension of **£21,423.44 per annum**, of which **£9,309.13** **per annum** increases at the lower of RPI and 5.0% (pre-2006) and **£12,114.31** **per annum** increases at the lower of RPI and 2.5% (post-2006). LTA used is **39.92%**, which is within the percentage LTA remaining of **100.00%**.

A spouse’s pension of **£8,569.37** **per annum**, of which **£3,723.65** **per annum** increases at the lower of RPI and 5.0% (pre-2006) and **£4,845.72** **per annum** increases at the lower of RPI and 2.5% (post-2006).

OR

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

A pension commencement lump sum of **£99,438.08** plus a residual pension of **£14,915.71** **per annum**, of which **£9,309.13** **per annum** increases at the lower of RPI and 5.0% (pre-2006) and **£5,606.58** **per annum** increases at the lower of RPI and 2.5% (post-2006). LTA used is **9.26%** for the pension commencement lump sum and **27.79%** for the residual pension [total LTA = **37.05%**], which is within the percentage LTA remaining of **100.00%**.

A spouse’s pension of **£8,569.37** **per annum**, of which **£3,723.65** **per annum** increases at the lower of RPI and 5.0% (pre-2006) and **£4,845.72** **per annum** increases at the lower of RPI and 2.5% (post-2006