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

# MICHAEL SCHINDLER

Date of birth: 21/07/1953

Date of retirement: 08/09/2021

Age at date of retirement: 68 years & 1 month

Normal pension age: 65

Type of retirement: Late retirement

Spouse’s date of birth: 05/12/1956 (spouse < 10 years younger)

Pre 6 April 2006 CARE pension @ 5 April 2021: £11,324.70

Post 5 April 2006 CARE pension @ 5 April 2021: £6,465.18

Pro-rata CPI: 1.40%

Pensionable earnings figure from 6 April 2021: £54,155.00 [(£50,965+£55,500+£56,000) / 3] Final scheme year pensionable service: 5mths (06/04/2021-08/09/2021)

Contractual salary: £54,200.00

Underpin - total service to DOR: 32yrs & 5mths (06/04/1989-08/09/2021)

Underpin - pre ’06 service: 17yrs & 0mths (06/04/1989-05/04/2006)

Underpin - post ’06 service to DOR: 15yrs & 5mths (06/04/2006-08/09/2021)

Commutation factor: 13.06 (Age 68yrs & 1mth)

[13.08 – (0.24 x 1/12 = 0.02) = 13.06]

# CARE Pension Member Spouse (*40%*)

Pre 6 April 2006 CARE pension: £ 11,324.70

Pro-rata CPI increase: £11,324.70 x 1.40% = £ 158.55

Total: ***£ 11,483.25 pa*** ***£4,593.30 pa***

Post 5 April 2006 CARE pension: £ 6,465.18 Pro-rata CPI increase: £6,465.18 x 1.40% = £ 90.51

Final Scheme Year Pension to DOR: £54,155.00 x 5/12 x 1/80 = £ 282.06

Total: ***£ 6,837.75 pa*** ***£2,735.10 pa***

# Total CARE Pension:

£11,483.25 + £6,837.75 = **£ 18,321.00 pa £7,328.40 pa**

# Final Salary Underpin

Underpin - Pre ’06: £54,200.00 x 17 x 1/100 = ***£ 9,214.00 pa***

Underpin - Post ’06 £54,200.00 x 155/12 x 1/100 = ***£ 8,355.83 pa***

# Total Underpin Pension:

£9,214.00 + £8,355.83 = **£ 17,569.83 pa**

# Total CARE Pension of £18,321.00 pa exceeds Total Underpin Pension of £17,569.83 pa!

|  |  |  |
| --- | --- | --- |
| **Option 1 – Full Pension**  CARE pension: | **Member**  **£18,321.00 pa** | **Spouse** (***40%***)  **£7,328.40 pa** |

***Lifetime Allowance Check*:** £18,321.00 x 20 x 100 / £1,073,100.00 = **34.14%**

|  |  |
| --- | --- |
| *34.14% is within the member’s LTA balance of 92.76%* |  |

# Option 2 – Pension Commencement Lump Sum & Residual Pension

# Lump Sum

20 x £18,321.00 / [3 + (20 / 13.06)] = **£ 80,862.54**

***Lifetime Allowance Check*:** £80,862.54 x 100 / £1,073,100.00 = **7.53%**

# Residual Pension

£18,321.00 – (£80,862.54 / 13.06 = £6,191.62) = **£ 12,129.38 pa**

Pre 6 April 2006 = ***£ 11,483.25 pa***

Post 5 April 2006 = ***£ 646.13 pa***

Spouse’s Pension unchanged @ **£7,328.40 pa** (Pre ’06 = ***£4,593.30 pa*** & Post ’06 = ***£2,735.10 pa***)

***Lifetime Allowance Check*:** £12,129.38 x 20 x 100 / £1,073,100.00 = **22.60%**

Total Lifetime Allowance for Option 2 = 7.53 + 22.60 = **30.13%**

# *30.13% is within the member’s LTA balance of 92.76%*

# Summary Answer

*Option 1 – Pension Only*

A full pension of **£18,321.00** **per annum**, of which **£11,483.25** **per annum** increases at the lower of RPI and 5.0% (pre-2006) and **£6,837.75 per annum** increases at the lower of RPI and 2.5% (post-2006). LTA used is **34.14%**, which is within the percentage LTA remaining of **92.76%**.

A spouse’s pension of **£7,328.40** **per annum**, of which **£4,593.30** **per annum** increases at the lower of RPI and 5.0% (pre-2006) and **£2,735.10** **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 **£80,862.54** plus a residual pension of **£12,129.38** **per annum**, of which **£11,483.25** **per annum** increases at the lower of RPI and 5.0% (pre-2006) and **£646.13** **per annum** increases at the lower of RPI and 2.5% (post-2006). LTA used is **7.53%** for the pension commencement lump sum and **22.60%** for the residual pension [total LTA = **30.13%**], which is within the percentage LTA remaining of **92.76%**.

A spouse’s pension of **£7,328.40** **per annum**, of which **£4,593.30** **per annum** increases at the lower of RPI and 5.0% (pre-2006) and **£2,735.10** **per annum** increases at the lower of RPI and 2.5% (post-2006).