# WORKED ANSWER XYZ SCHEME ACTIVE TO ILL HEALTH RETIREMENT

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| **MARTHA HENDERSON – CATEGORY A**  Date of birth: | 02/04/1965 |
| Date of joining scheme: | 01/04/1995 |
| Date of retirement: | 11/09/2021 |
| Age at date of retirement: | 56 years & 5 months |
| Normal pension age: | 65 |
| Type of retirement: | Ill health retirement |
| Pre-1997 pensionable service: | 2 years & 5 days [01/04/1995-05/04/1997] |
| Post-1997 pensionable service: | 24 years & 159 days [06/04/1997-11/09/2021] |
| Post-1988 GMP @ DOR: | £479.96 |
| Commutation factor: | 15.86 (age 56yrs & 5mths) |
|  | 15.96 – [5/12 x 0.24 = 0.10] |

Final pensionable salary is the greater of the following:

* Final pensionable salary calculated at NPD or earlier date of retirement:

2017 = £38,575.00

2018 = £39,430.00

2019 = £40,430.00

2020 = ***£40,915.00***

2021 = £40,520.00

# Option 1 – Full Pension

Member: 2 + (5/365) / 70 x £40,915.00 = £1,177.01 pa

24 + (159/365) / 70 x £40,915.00 = £14,282.62 pa

**£15,459.63 pa**

Spouse (payable on death): £15,459.63 x 50% = **£7,729.82 pa**

**GMP Check:**

Pre-1997 pension v GMP: £1,177.01 v £479.96 => ***ok***

OR

Total v post-1997 pension + GMP: £15,459.63 v (14,282.62+£479.96 = £14,762.58) => ***ok***

***Lifetime Allowance Check:*** £15,459.63 x 20 x 100 / £1,073,000.00 = **28.81%**

*28.81% is within the member’s LTA balance of 100.00%*

**OR**

# Option 2 – Pension Commencement Lump Sum and Residual Pension Lump Sum:

£15,459.63 x 20 / [3 + (20 / 15.86)] = **£72,562.81**

***Lifetime Allowance Check:*** £72,562.81 x 100 / £1,073,100.00 = **6.76%**

**Residual Pension:**

£15,459.63 – (£72,562.81 / 15.86 = £4,575.21) = **£10,884.42 pa**

Spouse (payable on death): £15,459.63 x 50% = **£7,729.82 pa**

**GMP Check:**

£10,884.42 pa is greater than GMP of £479.96 pa (therefore no lump sum restriction required)

***Lifetime Allowance Check:*** £10,884.42 x 20 x 100 / £1,073,100 = **20.28%**

Total Lifetime Allowance for Option 2 = 6.76 + 20.28 = **27.04%**

*27.04% is within the member’s LTA balance of 100.00%*

**Summary Answer**

*Option 1 – Pension Only*

A full pension of **£15,459.63** **per annum** (excess of **£14,979.67** **per annum** and post-1988 GMP of **£479.96** **per annum**), which increases at the lower of RPI and 5.0% up to GMP Due Date (= age 60, as member is female). From that date, the excess pension increases at the lower of RPI and 5.0% and the post-1988 GMP increases at the lower of CPI and 3.0%. LTA used is **28.81%**, which is within the percentage LTA remaining of **100.00%**.

A spouse’s pension of **£7,729.82** **per annum**

OR

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

A pension commencement lump sum of **£72,562.81** plus a residual pension of **£10,884.42** **per annum** (excess of **£10,404.46** **per annum** and post-1988 GMP of **£479.96** **per annum**), which increases at the lower of RPI and 5.0% up to GMP Due Date (= age 60, as member is female). From that date, the excess pension increases at the lower of RPI and 5.0% and the post-1988 GMP increases at the lower of CPI and 3.0%. LTA used is **6.76%** for the pension commencement lump sum and **20.28%** for the residual pension [total LTA = **27.04%**], which is within the percentage LTA remaining of **100.00%**.

A spouse’s pension of **£7,729.82** **per annum**