# WORKED ANSWER XYZ SCHEME ACTIVE TO EARLY RETIREMENT

|  |  |
| --- | --- |
| **BERT NENTJES – CATEGORY A**  Date of birth: | 03/02/1963 |
| Date of joining scheme: | 02/03/1994 |
| Date of retirement: | 07/09/2021 |
| Age at date of retirement: | 58 years & 7 months |
| Normal pension age: | 65 |
| Type of retirement: | Early retirement |
| Pre-1997 pensionable service: | 3 years & 35 days [02/03/1994-05/04/1997] |
| Post-1997 pensionable service (1): | 17 years & 0 days [06/04/1997-05/04/2014] |
| Post-1997 pensionable service (2): | 7 years & 155 days [06/04/2014-07/09/2021] |
| Post-1988 GMP @ DOR: | £524.16 |
| Commutation factor | 15.34 (age 58yrs & 7mths) |
|  | 15.48 – [7/12 x 0.24 = 0.14] |
| Early retirement factor: | 92% (rounded to nearest integer) |
|  | 88% + [7/12 x 6 = 3.5%] |

Final pensionable salary is the greater of the following:

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

2017 = £31,600.00

2018 = £32,500.00

2019 = £33,400.00

2020 = £35,000.00

2021 = ***£36,700.00***

# Option 1 – Full Pension

Member: 3 + (35/365) / 70 x £36,700.00 = £1,623.13 pa

17 + (0/365) / 70 x £36,700.00 = £8,912.86 pa

7 + (155/365) / 60 x £36,700.00 = £4,541.42 pa

***£15,077.41 pa***

£15,077.41 x 92% = **£13,871.22 pa**

Spouse (payable on death): £13,871.22 x 50% = **£6,935.61 pa**

**GMP Check:**

Pre-1997 pension v GMP: £1,623.13 x 92% = £1,493.28 v £524.16 => ***ok***

OR

Total v post-1997 pension + GMP: £13,871.22 v ([13,454.28 x 92%] + £524.16 = £12,902.10) => ***ok***

***Lifetime Allowance Check:*** £13,871.22 x 20 x 100 / £1,073,100.00 = **25.85%**

*25.85% is within the member’s LTA balance of 100.00%*

**OR**

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

£13,871.22 x 20 / [3 + (20 / 15.34)] = **£64,460.62**

***Lifetime Allowance Check:*** £64,460.62 x 100 / £1,073,100.00 = **6.00%**

**Residual Pension:**

£13,871.22 – (£64,460.62 / 15.34 = £4,202.13) = **£9,669.09 pa**

Spouse (payable on death): £13,871.22 x 50% = **£6,935.61 pa**

**GMP Check:**

£9,669.09 pa is greater than GMP of £524.16 pa (therefore no lump sum restriction required)

***Lifetime Allowance Check:*** £9,669.09 x 20 x 100 / £1,073,100 = **18.02%**

Total Lifetime Allowance for Option 2 = 6.00 + 18.02 = **24.02%**

*24.02% is within the member’s LTA balance of 100.00%*

**Summary Answer**

*Option 1 – Pension Only*

A full pension of **£13,871.22** **per annum** (excess of **£13,347.06** **per annum** and post-1988 GMP of **£524.16** **per annum**), which increases at the lower of RPI and 5.0% up to GMP Due Date (= age 65, as member is male). 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 **25.85%**, which is within the percentage LTA remaining of **100.00%**.

A spouse’s pension of **£6,935.61** **per annum**

OR

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

A pension commencement lump sum of **£64,460.62** plus a residual pension of **£9,669.09** **per annum** (excess of **£9,144.93** **per annum** and post-1988 GMP of **£524.16** **per annum**), which increases at the lower of RPI and 5.0% up to GMP Due Date (= age 65, as member is male). 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 **6.00%** for the pension commencement lump sum and **18.02%** for the residual pension [total LTA = **24.02%**], which is within the percentage LTA remaining of **100.00%**.

A spouse’s pension of **£6,935.61** **per annum**