# WORKED ANSWER XYZ SCHEME ACT => RET (EARLY)

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| **ALFRED PEACH – CATEGORY A**  Date of birth: | 10/05/1964 |
| Date of joining scheme: | 27/04/1993 |
| Date of retirement: | 01/09/2022 |
| Age at date of retirement: | 58 years & 3 months |
| Normal pension date: | 10/05/2029 |
| Type of retirement: | Early retirement |
| Pre-1997 pens’able service - [70ths]: | 3 years & 344 days [27/04/1993 - 05/04/1997] |
| Post-1997 pens’able service (1) - [70ths]: | 5 years & 0 days [06/04/1997 - 05/04/2002] |
| Post-1997 pens’able service (2) - [80ths]: | 6 years & 0 days [06/04/2002 - 05/04/2008] |
| Post-1997 pens’able service (3) - [70ths]: | 7 years & 0 days [06/04/2008 - 05/04/2015] |
| Post-1997 pens’able service (4) - [60ths]: | 7 years & 149 days [06/04/2015 - 01/09/2022] |
| Post-1988 GMP @ DOR: | £920.92 pa |
| Commutation factor: | 15.42 (based on age 58 years & 3 months) |
|  | *15.48 – [3/12 x 0.24 = 0.06]* |
| Early retirement factor: | 90% (rounded to nearest integer) |
|  | *88% + [3/12 x 6 = 1.5%]* |
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Final pensionable salary is the greater of the following:

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

2018 = £57,825.00

2019 = £59,600.00

2020 = £62,200.00

2021 = £64,730.00

2022 = **£66,160.00**

# Option 1 – Full Pension

Member: 3yrs & 344dys / 70 x £66,160.00 = £3,726.19 pa

5yrs & 0dys / 70 x £66,160.00 = £4,725.71 pa

6yrs & 0dys / 80 x £66,160.00 = £4,962.00 pa

7yrs & 0dys / 70 x £66,160.00 = £6,616.00 pa

7yrs & 149dys / 60 x £66,160.00 = £8,168.80 pa

***£28,198.70 pa***

£28,198.70 x 90% = **£25,378.83 pa**

Spouse: £25,378.83 x 50% = ***£12,689.42 pa***

**GMP Check:**

Pre-1997 pension v GMP: £3,726.19 x 90% = ***£3,353.57* v *£920.92*** => **OK**

*OR*

Total v post-1997 pension + GMP: ***£25,378.83* v** ([{£28,198.70 - £3,726.19 = £24,472.51} x 90%

= £22,025.26] + £920.92 = ***£22,946.18***) => **OK**

***Lifetime Allowance Check:*** £25,378.83 x 20 x 100 / £1,073,100.00 = **47.30%**

*47.30% is within the member’s LTA balance of 100.00%*

**OR**

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

Member: £25,378.83 x 20 / [3 + (20 / 15.42)] = **£118,123.02**

***Lifetime Allowance Check:*** £118,123.02 x 100 / £1,073,100.00 = **11.00%**

**Residual Pension**

Member: £25,378.83

– (£118,123.02 / 15.42 = £7,660.38) = **£17,718.45 pa**

Spouse: £25,378.83 x 50% = ***£12,689.42 pa***

**GMP Check:**

£17,718.45 pa is greater than GMP of £920.92 pa (therefore no lump sum restriction required)

***Lifetime Allowance Check:*** £17,718.45 x 20 x 100 / £1,073,100 = **33.02%**

Total Lifetime Allowance for Option 2 = 11.00% + 33.02% = **44.02%**

*44.02% is within the member’s LTA balance of 100.00%*

**Summary Answer**

*Option 1 – Pension Only*

A full pension of **£25,378.83** per annum (including an excess element of **£24,457.91** per annum and a post-1988 GMP of **£920.92** per annum) which increases at the lower of RPI and 5.0% up to GMP due date (age 65). From that date, the post-1988 GMP will increase by the lower of CPI and 3.0% and the balance will increase by the lower of RPI and 5.0%. LTA used is **47.30%**, which is within the percentage LTA remaining of 100.00%.

A spouse’s pension of **£12,689.42** per annum

OR

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

A tax-free cash sum of **£118,123.02** plus a residual pension of **£17,718.45** per annum (including an excess element of **£16,797.53** per annum and a post-1988 GMP of **£920.92** per annum) which increases at the lower of RPI and 5.0% up to GMP due date (age 65). From that date, the post-1988 GMP will increase by the lower of CPI and 3.0% and the balance will increase by the lower of RPI and 5.0%. LTA used is **11.00%** for the tax-free cash sum and **33.02%** for the residual pension [total LTA = **44.02%**], which is within the percentage LTA remaining of 100.00%.

A spouse’s pension of **£12,689.42** per annum