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

# NAOMI ABBOT

Date of birth: 02/02/1962

Date joined scheme: 06/04/1997

Date of retirement: 03/09/2022

Age at date of retirement: 60 years & 7 months

Normal pension date: 02/02/2027

Type of retirement: Early retirement (*from active status*)

Spouse’s date of birth: 13/06/1960 (spouse < 10 years younger)

Pre-2006 CARE pension @ 5 April 2022: £10,142.08

Post-2006 CARE pension @ 5 April 2022: £13,184.20

Transferred-in pension (payable @ NPD): £4,016.45

Pro-rata CPI: 1.50%

Pensionable earnings: £78,246.67 [(£79,990 + £78,150 + £76,600) / 3]

Final scheme year pensionable service: 4mths (06/04/2022-03/09/2022)

Contractual salary: £80,620.00

Underpin: total service to DOR: 25yrs & 4mths (06/04/1997-03/09/2022)

Underpin: pre-2006 service: 09yrs & 0mths (06/04/1997-05/04/2006)

Underpin: post-2006 service to DOR: 16yrs & 4mths (06/04/2006-03/09/2022)

Commutation factor: 14.86 (based on age 60 years & 7 months)

*[15.00 – (0.24 x 7/12 = 0.14) = 14.86]*

Early retirement factor: 82% (rounded to nearest integer)

*[80.00 + (4 x 7/12 = 2.33) = 82.33]*

# CARE Pension Member Spouse (40%)

Pre-2006 CARE pension: £ 10,142.08 pa

Pro-rata CPI increase: £10,142.08 x 1.50% = £ 152.13 pa

Total (pre-2006): £ 10,294.21 pa

Early retirement factor: £10,294.21 x 82% = £ 8,441.25 pa £ 3,376.50 pa

Post-2006 CARE pension: £ 13,184.20 pa

Pro-rata CPI increase: £13,184.20 x 1.50% = £ 197.76 pa

Year-to-date pension to DOR: £78,246.67 x 4/12 x 1/75 = £ 347.76 pa

Total (post-2006): £ 13,729.72 pa

Early retirement factor: £13,729.72 x 82% = £ 11,258.37 pa £ 4,503.35 pa

**Total CARE pension:** **£ 19,699.62 pa £ 7,879.85 pa**

# Final Salary Underpin Pension Member Spouse (40%)

Pre-2006 U/pin pension: £80,620.00 x 90/12  x 1/90 x 82% = £ 6,610.84 pa £ 2,644.34 pa

Post-2006 U/pin pension: £80,620.00 x 164/12 x 1/90 x 82% = £ 11,997.45 pa £ 4,798.98 pa

Total Underpin pension: ***£ 18,608.29 pa £ 7,443.32 pa***

# Total CARE Pension of £19,699.62 pa exceeds Total Underpin Pension of £18,608.29 pa!

# Option 1 – Full Pension Member Spouse (40%)

Pre-2006 pension (TV-in): £4,016.45 x 82% £ 3,293.49 pa £ 1,317.40 pa

Pre-2006 pension: £ 8,441.25 pa £ 3,376.50 pa

Post-2006 pension: £ 11,258.37 pa £ 4,503.35 pa

Total pension: **£ 22,993.11 pa £ 9,197.25 pa**

***Lifetime Allowance Check*:** £22,993.11 x 20 x 100 / £1,073,100.00 = **42.85%**

*42.85% is within the member’s LTA balance of 100.00%*

# Option 2 – Pension Commencement Lump Sum & Residual Pension

**Cash Sum** £22,993.11 x 20 / [3 + (20 / 14.86)] = **£ 105,815.30**

***Lifetime Allowance Check*:** £105,815.30 x 100 / £1,073,100.00 = **9.86%**

**Residual Pension** £22,993.11 –

(£105,815.30 / 14.86 = £7,120.81) = ***£ 15,872.30 pa***

Pre-2006 pension (TV-in): £ 3,293.49 pa

Pre-2006 pension: £ 8,441.25 pa

Post-2006 pension: £ 4,137.56 pa

Total pension: **£ 15,872.30 pa**

Spouse’s pension unchanged @ £9,197.25 pa (pre-2006 (TV-in) = £1,317.40 pa, pre-2006 (scheme) = £3,376.50 pa & post-2006 (scheme) = £4,503.35 pa)

***Lifetime Allowance Check*:** £15,872.30 x 20 x 100 / £1,073,100.00 = **29.58%**

Total Lifetime Allowance for Option 2 = 9.86% + 29.58% = **39.44%**

*39.44% is within the member’s LTA balance of 100.00%*

# Summary Answer

*Option 1 – Pension Only*

A full pension of **£22,993.11** per annum, of which **£11,734.74** per annum increases at the lower of RPI and 5.0% (pre-2006, including the TV-in pension of **£3,293.49** per annum) and **£11,258.37** per annum increases at the lower of RPI and 2.5% (post-2006). LTA used is **42.85%**, which is within the percentage LTA remaining of 100.00%.

A spouse’s pension of **£9,197.25** per annum, of which **£4,693.90** per annum increases at the lower of RPI and 5.0% (pre-2006, including the TV-in pension of **£1,317.40** per annum) and **£4,503.35** per annum increases at the lower of RPI and 2.5% (post-2006).

OR

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

A tax-free cash sum of **£105,815.30** plus a residual pension of **£15,872.30** per annum, of which **£11,734.74** per annum increases at the lower of RPI and 5.0% (pre-2006, including the TV-in pension of **£3,293.49** per annum) and **£4,137.56** per annum increases at the lower of RPI and 2.5% (post-2006). LTA used is **9.86%** for the tax-free cash sum and **29.58%** for the residual pension [total LTA = **39.44%**], which is within the percentage LTA remaining of 100.00%.

A spouse’s pension of **£9,197.25** per annum, of which **£4,693.90** per annum increases at the lower of RPI and 5.0% (pre-2006, including the TV-in pension of **£1,317.40** per annum) and **£4,503.35** per annum increases at the lower of RPI and 2.5% (post-2006).