# WORKED ANSWER RST SCHEME ACT => RET (ILL-HEALTH)

# EMILY POPE

Date of birth: 09/09/1960

Date joined scheme: 06/04/2004

Date of retirement: 05/09/2022

Age at date of retirement: 61 years & 11 months

Normal pension date: 09/09/2025

Type of retirement: Ill-health retirement (*from active status*)

Spouse’s date of birth: 18/03/1949 (spouse < 10 years younger)

Pre-2006 CARE pension @ 5 April 2022: £2,492.75

Post-2006 CARE pension @ 5 April 2022: £18,052.21

Pro-rata CPI: 1.50%

Pensionable earnings: £88,596.67 [(£91,640 + £88,350 + £85,800) / 3]

Potential pensionable service: 03yrs & 5mths (06/04/2022-09/09/2025)

Contractual salary: £92,780.00

Underpin: total service to NPD: 21yrs & 5mths (06/04/2004-09/09/2025)

Underpin: pre-2006 service: 02yrs & 0mths (06/04/2004-05/04/2006)

Underpin: post-2006 service to DOR: 19yrs & 5mths (06/04/2006-09/09/2025)

Commutation factor: 14.54 (based on age 61 years & 11 months)

*[14.76 – (0.24 x 11/12 = 0.22) = 14.54]*

# CARE Pension Member Spouse (40%)

Pre-2006 CARE pension: £ 2,492.75 pa

Pro-rata CPI increase: £2,492.75 x 1.50% = £ 37.39 pa

Total (pre-2006): £ 2,530.14 pa £ 1,012.06 pa

Post-2006 CARE pension: £ 18,052.21 pa

Pro-rata CPI increase: £18,052.21 x 1.50% = £ 270.78 pa

Potential pension to NPD: £88,596.67 x 35/12 x 1/75 = £ 4,036.07 pa

Total (post-2006): £ 22,359.06 pa £ 8,943.62 pa

**Total CARE pension:** **£ 24,889.20 pa £ 9,955.68 pa**

# Final Salary Underpin Pension Member Spouse (40%)

Pre-2006 U/pin pension: £92,780.00 x 20/12  x 1/90 = £ 2,061.78 pa £ 824.71 pa

Post-2006 U/pin pension: £92,780.00 x 195/12 x 1/90 = £ 20,016.43 pa £ 8,006.57 pa

Total Underpin pension: ***£ 22,078.21 pa £ 8,831.28 pa***

# Total CARE Pension of £24,889.20 pa exceeds Total Underpin Pension of £22,078.21 pa!

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

Pre-2006 pension: £ 2,530.14 pa £ 1,012.06 pa

Post-2006 pension: £ 22,359.06 pa £ 8,943.62 pa

Total pension: **£ 24,889.20 pa £ 9,955.68 pa**

***Lifetime Allowance Check*:** £24,889.20 x 20 x 100 / £1,073,100.00 = **46.38%**

*46.38% is within the member’s LTA balance of 100.00%*

# Option 2 – Pension Commencement Lump Sum & Residual Pension

**Cash Sum** £24,889.20 x 20 / [3 + (20 / 14.54)] = **£ 113,765.79**

***Lifetime Allowance Check*:** £113,765.79 x 100 / £1,073,100.00 = **10.60%**

**Residual Pension** £24,889.20 –

(£113,765.79 / 14.54 = £7,824.33) = ***£ 17,064.87 pa***

Pre-2006 pension: £ 2,530.14 pa

Post-2006 pension: £ 14,534.73 pa

Total pension: **£ 17,064.87 pa**

Spouse’s pension unchanged @ £9,955.68 pa (pre-2006 = £1,012.06 pa & post-2006 = £8,943.62 pa)

***Lifetime Allowance Check*:** £17,064.87 x 20 x 100 / £1,073,100.00 = **31.80%**

Total Lifetime Allowance for Option 2 = 10.60% + 31.80% = **42.40%**

*42.40% is within the member’s LTA balance of 100.00%*

# Summary Answer

*Option 1 – Pension Only*

A full pension of **£24,889.20** per annum, of which **£2,530.14** per annum increases at the lower of RPI and 5.0% (pre-2006) and **£22,359.06** per annum increases at the lower of RPI and 2.5% (post-2006). LTA used is **46.38%**, which is within the percentage LTA remaining of 100.00%.

A spouse’s pension of **£9,955.68** per annum, of which **£1,012.06** per annum increases at the lower of RPI and 5.0% (pre-2006) and **£8,943.62** 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 **£113,765.79** plus a residual pension of **£17,064.87** per annum, of which **£2,530.14** per annum increases at the lower of RPI and 5.0% (pre-2006) and **£14,534.73** per annum increases at the lower of RPI and 2.5% (post-2006). LTA used is **10.60%** for the tax-free cash sum and **31.80%** for the residual pension [total LTA = **42.40%**], which is within the percentage LTA remaining of 100.00%.

A spouse’s pension of **£9,955.68** per annum, of which **£1,012.06** per annum increases at the lower of RPI and 5.0% (pre-2006) and **£8,943.62** per annum increases at the lower of RPI and 2.5% (post-2006).