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

|  |  |
| --- | --- |
| **FREDERICK KRCMAR – CATEGORY A**  Date of birth: | 14/06/1961 |
| Date of joining scheme: | 26/03/1993 |
| Date of retirement: | 13/09/2023 |
| Age at date of retirement: | 62yrs & 2mths |
| Normal pension date: | 14/06/2026 |
| Type of retirement: | Ill health early retirement |
| Pre-1997 pensionable service [*70ths*]: | 4yrs & 11dys [26/03/1993 - 05/04/1997] |
| Post-1997 pensionable service [*70ths*]: | 26yrs & 161dys [06/04/1997 - 13/09/2023] |
| Post-1988 GMP @ DOR: | £697.84 pa |
| Commutation factor: | 24.50 (based on age 62yrs & 2mths) |
|  | *24.62 – [2/12 x 0.72 = 0.12]* |

Final pensionable salary is the greater of the following:

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

2019 = £41,850.00

2020 = £42,630.00

2021 = ***£43,900.00***

2022 = £42,000.00

2023 = £42,000.00

# Option 1 – Full Pension

**Full Pension**

Member (pre-1997): £43,900.00 x [4yrs + (11dys/365dys)] / 70 = £2,527.47 pa + +

Member (post-1997): £43,900.00 x [26yrs + (161dys/365dys)] / 70 = £16,582.34 pa

Member (total): = **£19,109.81 pa**

Spouse (payable on death): £19,109.81 x 50% = ***£9,554.91 pa***

**GMP Check:**

Pre-1997 pension v GMP: ***£2,527.47 v £697.84*** => **OK**

*OR*

Total pension v

post-1997 pension + GMP: ***£19,109.81 v*** (£16,582.34 + £697.84 = ***£17,280.18***) => **OK**

***Lifetime Allowance Check:*** £19,109.81 x 20 x 100 / £1,073,100.00 = **35.61%**

*35.61% is within the member’s LTA balance of 100.00%*

**OR**

# Option 2 – Cash Sum & Residual Pension

# Cash Sum

Member: £19,109.81 x 20 / [3 + (20 / 24.50)] = **£100,147.67**

***Lifetime Allowance Check:*** £100,147.67 x 100 / £1,073,100.00 = **9.33%**

**Residual Pension**

Member: £19,109.81 – (£100,147.67 / 24.50 = £4,087.66) = **£15,022.15 pa**

Spouse (payable on death): £19,109.81 x 50% = ***£9,554.91 pa***

**GMP Check:**

£15,022.15 pa is greater than GMP of £697.84 pa (therefore no lump sum restriction required)

***Lifetime Allowance Check:*** £15,022.15 x 20 x 100 / £1,073,100.00 = **27.99%**

Total Lifetime Allowance for Option 2 = 9.33% + 27.99% = **37.32%**

*37.32% is within the member’s LTA balance of 100.00%*

**Summary Answer**

*Option 1 – Pension Only*

A full pension of **£19,109.81** **per annum** (including an excess pension of **£18,411.97** **per annum** and a post-1988 GMP of **£697.84** **per annum**). The pension will be increased each year on 1 April by the lower of the increase in the RPI and 5.0% (*pro-rated for the first year*) up to GMP due date (age 65). From that date, the post-1988 GMP will be increased each year by the lower of the increase in the CPI and 3.0% and the balance will be increased each year by the lower of the increase in the RPI and 5.0%. The LTA used is **35.61%**, which is within the percentage LTA remaining of 100.00%.

A spouse’s pension of **£9,554.91** **per annum**.

OR

*Option 2 – Cash Sum & Residual Pension*

A tax-free cash sum of **£100,147.67** plus a residual pension of **£15,022.15** **per annum** (including an excess pension of **£14,324.31** **per annum** and a post-1988 GMP of **£697.84** **per annum**). The pension will be increased each year on 1 April by the lower of the increase in the RPI and 5.0% (*pro-rated for the first year*) up to GMP due date (age 65). From that date, the post-1988 GMP will be increased each year by the lower of the increase in the CPI and 3.0% and the balance will be increased each year by the lower of the increase in the RPI and 5.0%. The LTA used is **9.33%** for the tax-free cash sum and **27.99%** for the residual pension [total LTA = **37.32%**], which is within the percentage LTA remaining of 100.00%.

A spouse’s pension of **£9,554.91 per annum**.