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

|  |  |
| --- | --- |
| **BASIL LUKEMAN – CATEGORY A**Date of birth: | 14/09/1958 |
| Date of joining scheme: | 21/09/1994 |
| Date of retirement: | 14/09/2023 |
| Age at date of retirement: | 65yrs & 0mths |
| Normal pension date: | 14/09/2023 |
| Type of retirement: | Normal retirement |
| Pre-1997 pensionable service: | 2yrs & 197dys [21/09/1994 - 05/04/1997] |
| Post-1997 pensionable service:  | 26yrs & 162ys [06/04/1997 - 14/09/2023] |
| Post-1988 GMP @ DOR: | £1,198.08 p.a. |
| Current AVCs: | £46,821.88 |
| AVC pension (single life):  | £2,401.12 p.a. |
| AVC pension (joint life): | £1,887.98 p.a. |
| Commutation factor: | 22.46 (based on age 65yrs & 0mths) |
|  |  |

Final pensionable salary is the greater of the following:

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

2019 = £67,100.00

2020 = £70,250.00

2021 = ***£73,000.00***

2022 = £70,600.00

2023 = £70,000.00

**Option 1A – Full Pension**

**Full Pension (Single Life AVCs)**

Member (pre-1997): £73,000.00 x [2yrs + (197dys/365dys)] / 70 = £2,648.57 pa + +

Member (post-1997): £73,000.00 x [26yrs + (162dys/365dys)] / 70 = £27,577.14 pa

Member (scheme): = ***£30,225.71 pa***

Member (AVCs – single life): ***£2,401.12 pa***

Member (total): **£32,626.83 pa**

Spouse (payable on death): £30,225.71 x 50% = ***£15,112.86 pa***

**GMP Check (*excluding AVCs*):**

Pre-1997 pension v GMP: ***£2,648.57* v *£1,198.08*** => **OK**

*OR*

Total pension v

 post-1997 pension + GMP: ***£30,225.71* v** (£27,577.14 + £1,198.08 = ***£28,775.22***) => **OK**

***Lifetime Allowance Check*:** £32,626.83 x 20 x 100 / £1,073,100.00 = **60.80%**

*60.80% is within the member’s LTA balance of 94.23%*

 **OR**

**Option 1B – Full Pension**

**Full Pension (Joint Life AVCs)**

Member (pre-1997): £73,000.00 x [2yrs + (197dys/365dys)] / 70 = £2,648.57 pa + +

Member (post-1997): £73,000.00 x [26yrs + (162dys/365dys)] / 70 = £27,577.14 pa

Member (scheme): = ***£30,225.71 pa***

Member (AVCs – joint life): ***£1,887.98 pa***

Member (total): **£32,113.69 pa**

Spouse (payable on death): £32,113.69 x 50% = ***£16,056.85 pa***

**GMP Check:**

Same check as Option 1a (*AVC pension must be excluded*)

***Lifetime Allowance Check*:** £32,113.69 x 20 x 100 / £1,073,100.00 = **59.85%**

*59.85% is within the member’s LTA balance of 94.23%*

**OR**

**Option 2 – Cash Sum & Residual Pension**

**Cash Sum**

Member: £30,225.71 x 20 / [3 + (20 / 22.46)] = ***£155,383.26***

 + (£46,821.88 [AVCs] x 25%) = ***£11,705.47***

 **£167,088.73**

***Lifetime Allowance Check:*** £167,088.73 x 100 / £1,073,100.00 = **15.57%**

**Residual Pension**

Member: £30,225.71 – ([£167,088.73 –

 £46,821.88] / 22.46 = £5,354.71) = **£24,871.00 pa**

Spouse (payable on death): £30,225.71 x 50% = ***£15,112.86 pa***

***Lifetime Allowance Check:*** £24,871.00 x 20 x 100 / £1,073,100.00 = **46.35%**

Total Lifetime Allowance for Option 2 = 15.57% + 46.35% = **61.92%**

*61.92% is within the member’s LTA balance of 94.23%*

**Summary Answer**

*Option 1A – Pension Only (AVCs single life)*

A full pension of **£32,626.83** **per annum**, of which **£29,027.63 per annum** (*excess pension*)and **£2,401.12 per annum** (single life AVC 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*) and **£1,198.08** **per annum** (*post-1988 GMP*) will be increased each year on 1 April by the lower of the increase in the CPI and 3.0%. The LTA used is **60.80%**, which is within the percentage LTA remaining of **94.23%**.

A spouse’s pension of **£15,112.86** **per annum**.

OR

*Option 1B – Pension Only (AVCs joint life)*

A full pension of **£32,113.69** **per annum**, of which **£29,027.63 per annum** (*excess pension*)and **£1,887.98 per annum** (joint life AVC 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*) and **£1,198.08** **per annum** (*post-1988 GMP*) will be increased each year on 1 April by the lower of the increase in the CPI and 3.0%. The LTA used is **59.85%**, which is within the percentage LTA remaining of **94.23%**.

A spouse’s pension of **£16,056.85** **per annum**.

OR

*Option 2 – Cash Sum & Residual Pension*

A tax-free cash sum of **£167,088.73** (including the current value of the member’s AVC fund of **£46,821.88**) plus a residual pension of **£24,871.00** **per annum**, of which **£23,672.92 per annum** (*excess 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*) and **£1,198.08** **per annum** (*post-1988 GMP*) will be increased each year on 1 April by the lower of the increase in the CPI and 3.0%. The LTA used is **15.57%** for the tax-free cash sum and **46.35%** for the residual pension [total LTA = **61.92%**], which is within the percentage LTA remaining of **94.23%**.

A spouse’s pension of **£15,112.86** **per annum**.

**Note**

If Basil Lukeman wishes to take his AVCs flexibly outside of the XYZ Pension and Life Assurance Scheme, he can transfer them to a suitable alternative arrangement that is willing and able to accept them. In this scenario, the Trustees must offer to book a pensions guidance appointment with Pensions Wise on behalf of Basil Lukeman. The Trustees must explain to Basil Lukeman that the transfer of his AVCs cannot proceed until he has received appropriate pensions guidance from Pensions Wise, or that he can only opt out of the Pensions Wise guidance by providing the Trustees with an opt-out notification.