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

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| **ELSIE SEARLE – CATEGORY A**  Date of birth: | 14/06/1965 |
| Date of joining scheme: | 09/07/1984 |
| Date of retirement: | 10/09/2023 |
| Age at date of retirement: | 58yrs & 2mths |
| Normal pension date: | 14/06/2030 |
| Type of retirement: | Early retirement |
| Pre-1997 pensionable service [*60ths*]: | 12yrs & 271dys [09/07/1984 - 05/04/1997] |
| Post-1997 pensionable service [*60ths*]: | 8yrs & 0dys [06/04/1997 - 05/04/2005] |
| Post-1997 pensionable service [*80ths*]: | 7yrs & 0dys [06/04/2005 - 05/04/2012] |
| Post-1997 pensionable service [*70ths*]: | 8yrs & 0dys [06/04/2012 - 05/04/2020] |
| Post-1997 pensionable service [*60ths*]: | 3yrs & 158dys [06/04/2020 - 10/09/2023] |
| Pre-1988 GMP @ DOR: | £1,001.52 pa |
| Post-1988 GMP @ DOR: | £3,750.24 p.a. |
| Commutation factor: | 27.38 (based on age 58yrs & 2mths) |
|  | *27.50 – [2/12 x 0.72 = 0.12]* |
| Early retirement factor: | 0.807 (based on age 58yrs & 2mths) |
|  | *0.803 + [2/12 x 0.022 = 0.004%]* |
|  |  |

Final pensionable salary is the greater of the following:

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

2019 = £52,667.00

2020 = £54,840.00

2021 = £57,500.00

2022 = £59,820.00

2023 = ***£61,875.00***

# Option 1 – Full Pension

**Full Pension**

Member (pre-1997): £61,875.00 x [12yrs + (271dys/365dys)] / **60** = £13,140.67 pa + +

Member (post-1997): £61,875.00 x [8yrs + (0dys/365dys)] / **60** = £8,250.00 pa

+ +

Member (post-1997): £61,875.00 x [7yrs + (0dys/365dys)] / **80** = £5,414.06 pa

+ +

Member (post-1997): £61,875.00 x [8yrs + (0dys/365dys)] / **70** = £7,071.43 pa

+ +

Member (post-1997): £61,875.00 x [3yrs + (158dys/365dys)] / **60** = £3,540.15 pa

Member (total – *pre ERF*): = ***£37,416.31 pa***

Member (total – *post ERF*): £37,416.31 x 0.807 = **£30,194.96 pa**

Spouse (payable on death): £30,194.96 x 50% = ***£15,097.48 pa***

**GMP Check:**

Pre-1997 pension v GMP: £13,140.67 x 0.807 = ***£10,604.52* v**

[£1,001.52 + £3,750.24 = ***£4,751.76***] => **OK**

*OR*

Total pension v

post-1997 pension + GMP: ***£30,194.96* v** ([{£37,416.31 - £13,140.67 = £24,275.64} x 0.807

= £19,590.44] + £4,751.76 = ***£24,342.20***) => **OK**

***Lifetime Allowance Check:*** £30,194.96 x 20 x 100 / £1,073,100.00 = **56.27%**

*56.27% is within the member’s LTA balance of 100.00%*

**OR**

# Option 2 – Cash Sum & Residual Pension

# Cash Sum

Member: £30,194.96 x 20 / [3 + (20 / 27.38)] = **£161,883.30**

***Lifetime Allowance Check:*** £161,883.30 x 100 / £1,073,100.00 = **15.08%**

**Residual Pension**

Member: £30,194.96 – (161,883.30 / 27.38 = £5,912.47) = **£24,282.49 pa**

Spouse (payable on death): £30,194.96 x 50% = ***£15,097.48 pa***

**GMP Check:**

£24,282.49 pa is greater than GMP of £4,751.76 pa (therefore no lump sum restriction required)

***Lifetime Allowance Check:*** £24,282.49 x 20 x 100 / £1,073,100.00 = **45.25%**

Total Lifetime Allowance for Option 2 = 15.08% + 45.25% = **60.33%**

*60.33% is within the member’s LTA balance of 100.00%*

**Summary Answer**

*Option 1 – Pension Only*

A full pension of **£30,194.96** **per annum** (including an excess pension of **£25,443.20** **per annum**, a pre-1988 GMP of **£1,001.52 per annum** and a post-1988 GMP of **£3,750.24** **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 60). From that date, the pre-1988 GMP will not be increased, 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 **56.27%**, which is within the percentage LTA remaining of 100.00%.

A spouse’s pension of **£15,097.48** **per annum**.

OR

*Option 2 – Cash Sum & Residual Pension*

A tax-free cash sum of **£161,883.30** plus a residual pension of **£24,282.49 per annum** (including an excess pension of **£19,530.73** **per annum**, a pre-1988 GMP of **£1,001.52 per annum** and a post-1988 GMP of **£3,750.24** **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 60). From that date, the pre-1988 GMP will not be increased, 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 **15.08%** for the tax-free cash sum and **45.25%** for the residual pension [total LTA = **60.33%**], which is within the percentage LTA remaining of 100.00%.

A spouse’s pension of **£15,097.48 per annum**.