# WORKED ANSWER RST SCHEME ACTIVE => RETIREMENT (ILL HEALTH)

# BRIAN WINSTANLEY

Date of birth: 08/11/1964

Date of retirement: 12/09/2023

Age at date of retirement: 58 years & 10 months

Normal pension age: 65

Type of retirement: Ill health retirement

Spouse’s date of birth: 11/04/1968 (spouse < 10 years younger)

Pre-2006 CARE pension @ 5 April 2023: £3,580.62

Post-2006 CARE pension @ 5 April 2023: £12,221.88

Pro-rata CPI: 4.6%

Pensionable earnings: £69,493.33 [(£67,180+£69,500+£71,800) / 3] Pensionable service (6 April 2023 to NPD): 6yrs & 7mths (06/04/2023-08/11/2029) Contractual salary: £72,080.50

Underpin (total service to NPD): 29yrs & 7mths (06/04/2000-08/11/2029)

Underpin (pre-2006 service): 6yrs & 0mths (06/04/2000-05/04/2006)

Underpin (post-2006 service to NPD): 23yrs & 7mths (06/04/2006-08/11/2029)

S/Life AVC pension (payable immediately): £1,992.04

J/Life AVC pension (payable immediately): £1,595.42

Current value of AVC fund: £47,809.19

Commutation factor: 21.46 (Age 58yrs & 10mths)

 *[21.86 – (0.48 x 10/12 = 0.40) = 21.46]*

Early retirement factor: N/A (*ill-health*)

# CARE Pension

Pension @ 5/4/23 (pre-2006): = ***£3,580.62 pa***

Pro-rata CPI increase: £3,580.62 x 4.6% = ***£164.71 pa***

Member (pre-2006): = **£3,745.33 pa**

Pension @ 5/4/23 (post-2006): = ***£12,221.88 pa***

Pro-rata CPI increase: £12,221.88 x 4.6% = ***£562.21 pa***

YTD pension: £69,493.33 x 67/12 x 1/75 = ***£6,099.97 pa***

Member (post-2006): = **£18,884.06 pa**

Total CARE pension: £3,745.33 + £18,884.06 = **£22,629.39 pa**

Spouse (pre-2006): £3,745.33 x 40% = ***£1,498.13 pa***

Spouse (post-2006): £18,884.06 x 40% = ***£7,553.62 pa***

Spouse (total): £1,498.13 + £7,553.62 = ***£9,051.75 pa***

# Final Salary Underpin

Pension (pre-2006): £72,080.50 x 6 x 1/90 = ***£4,805.37 pa***

Pension (post-2006): £72,080.50 x 237/12 x 1/90 = ***£18,887.76 pa***

Total Underpin pension: £4,805.37 + £18,887.76 = **£23,693.13 pa**

# Total Underpin pension (*excluding AVCs*) of £23,693.13 pa exceeds total CARE pension (*excluding AVCs*) of £22,629.39 pa!

**Option 1a – Full Pension (Underpin) *including SINGLE life AVCs***

**Full Pension**

Member (pre-2006): = **£4,805.37 pa**

Member (post-2006): = **£18,887.76 pa**

Member AVCs (post-2006): = **£1,992.04 pa**

Member (total): = **£25,685.17 pa**

Spouse (pre-2006): £4,805.37 x 40% = ***£1,922.15 pa***

Spouse (post-2006): £18,887.76 x 40% = ***£7,555.10 pa***

Spouse AVCs (post-2006): N/A = ***£0.00 pa***

Spouse (total): = ***£9,477.25 pa***

***Lifetime Allowance Check:*** £25,685.17 x 20 x 100 / £1,073,100.00 = **47.87%**

*47.87% is within the member’s LTA balance of 100.00%*

 **OR**

**Option 1b – Full Pension (Underpin) *including JOINT life AVCs***

**Full Pension**

Member (pre-2006): = **£4,805.37 pa**

Member (post-2006): = **£18,887.76 pa**

Member AVCs (post-2006): = **£1,595.42 pa**

Member (total): = **£25,288.55 pa**

Spouse (pre-2006): £4,805.37 x 40% = ***£1,922.15 pa***

Spouse (post-2006): £18,887.76 x 40% = ***£7,555.10 pa***

Spouse AVCs (post-2006): £1,595.42 x 40% = ***£638.17 pa***

Spouse (total): = ***£10,115.42 pa***

***Lifetime Allowance Check:*** £25,288.55 x 20 x 100 / £1,073,100.00 = **47.13%**

*47.13% is within the member’s LTA balance of 100.00%*

**OR**

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

**Cash Sum**

Member: £23,693.13 x 20 / [3 + (20 / 21.46)] = ***£120,515.42***

 £47,809.19 x 25% = ***£11,952.30*** = **£132,467.72**

***Lifetime Allowance Check:*** £132,467.72 x 100 / £1,073,100.00 = **12.34%**

**Residual Pension**

Member (total): £23,693.13 – ([£132,467.72 - £47,809.19]

 / 21.46 = £3,944.95) = **£19,748.18 pa**

Member (post-2006): £18,887.76 - £3,944.95 = **£14,942.81 pa**

Member (pre-2006): = **£4,805.37 pa**

Spouse (pre-2006): Unchanged = ***£1,922.15 pa***

Spouse (post-2006): Unchanged = ***£7,555.10 pa***

Spouse (total): Unchanged = ***£9,477.25 pa***

***Lifetime Allowance Check:*** £19,748.18 x 20 x 100 / £1,073,100.00 = **36.80%**

Total Lifetime Allowance for Option 2 = 12.34% + 36.80% = **49.14%**

*49.14% is within the member’s LTA balance of 100.00%*

# Summary Answer

*Option 1A – Pension Only (AVCs: SINGLE life)*

A full pension of **£25,685.17 per annum**, of which **£4,805.37** **per annum** increases at the lower of RPI and 5.0% (pre-2006), **£18,887.76** **per annum** increases at the lower of RPI and 2.5% (post-2006) and **£1,992.04** **per annum** increases at the lower of RPI and 2.5% (SINGLE life AVCs). The LTA used is **47.87%**, which is within the percentage LTA remaining of **100.00%**.

A spouse’s pension of **£9,477.25** **per annum**, of which **£1,922.15** **per annum** increases at the lower of RPI and 5.0% (pre-2006) and **£7,555.10** **per annum** increases at the lower of RPI and 2.5% (post-2006).

OR

*Option 1B – Pension Only (AVCs: JOINT life)*

A full pension of **£25,288.55 per annum**, of which **£4,805.37** **per annum** increases at the lower of RPI and 5.0% (pre-2006), **£18,887.76** **per annum** increases at the lower of RPI and 2.5% (post-2006) and **£1,595.42** **per annum** increases at the lower of RPI and 2.5% (JOINT life AVCs). The LTA used is **47.13%**, which is within the percentage LTA remaining of **100.00%**.

A spouse’s pension of **£10,115.42** **per annum**, of which **£1,922.15** **per annum** increases at the lower of RPI and 5.0% (pre-2006), **£7,555.10** **per annum** increases at the lower of RPI and 2.5% (post-2006) and **£638.17** **per annum** increases at the lower of RPI and 2.5% (JOINT life AVCs).

OR

*Option 2 – Cash Sum & Residual Pension*

A tax-free cash sum of **£132,467.72** plus a residual pension of **£19,748.18** **per annum**, of which **£4,805.37** **per annum** increases at the lower of RPI and 5.0% (pre-2006) and **£14,942.81** **per annum** increases at the lower of RPI and 2.5% (post-2006). The LTA used is **12.34%** for the tax-free cash sum and **36.80%** for the residual pension [total LTA = **49.14%**], which is within the percentage LTA remaining of **100.00%**.

A spouse’s pension of **£9,477.25** **per annum**, of which **£1,922.15** **per annum** increases at the lower of RPI and 5.0% (pre-2006) and **£7,555.10** **per annum** increases at the lower of RPI and 2.5% (post-2006).

**Note**

If Brian Winstanley wishes to take his AVCs flexibly outside of the RST Pension 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 Brian Winstanley. The Trustees must explain to Brian Winstanley 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.