

**WORKED ANSWER****XYZ SCHEME****ACT => RET (EARLY)****ANNABEL COHEN – CATEGORY A**

Date of birth:	17/03/1967
Date of joining scheme:	29/06/1986
Date of retirement:	16/09/2024
Age at date of retirement:	57yrs & 5mths
GMP due date:	17/03/2027
Normal pension date:	17/03/2032
Type of retirement:	Early retirement
Pre-1997 pensionable service [ <b>70ths</b> ]:	10yrs & 281dys [29/06/1986 - 05/04/1997]
Post-1997 pensionable service [ <b>70ths</b> ]:	4yrs & 0dys [06/04/1997 - 05/04/2001]
Post-1997 pensionable service [ <b>80ths</b> ]:	8yrs & 0dys [06/04/2001 - 05/04/2009]
Post-1997 pensionable service [ <b>60ths</b> ]:	9yrs & 0dys [06/04/2009 - 05/04/2018]
Post-1997 pensionable service [ <b>70ths</b> ]:	6yrs & 164dys [06/04/2018 - 16/09/2024]
Pre-1988 GMP at DOR:	£875.16 pa
Post-1988 GMP at DOR:	£3,250.52 pa
Remaining 'LS&DBA':	£1,073,100.00
Remaining 'LSA':	£268,275.00
Commutation factor:	27.92 (based on age 57yrs & 5mths) [28.22 – (0.72 x 5/12 = 0.30) = 27.92]
Early retirement factor:	0.791 (based on age 57yrs & 5mths) [0.783 + (0.020 x 5/12 = 0.008) = 0.791]

Final pensionable salary is the greater of the following:

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

2020 =	£60,800.00
2021 =	£62,100.00
2022 =	£64,750.00
2023 =	£66,230.00
2024 =	<b>£68,320.00</b> (highest in last 5 years)

**Option 1 – Full Pension****Full Pension**

Member (pre-1997):	$£68,320.00 \times [10\text{yrs} + (281\text{dys}/365\text{dys})] / 70$	=	£10,511.39 pa
	+		+
Member (post-1997):	$£68,320.00 \times [4\text{yrs} + (0\text{dys}/365\text{dys})] / 70$	=	£3,904.00 pa
	+		+
Member (post-1997):	$£68,320.00 \times [8\text{yrs} + (0\text{dys}/365\text{dys})] / 80$	=	£6,832.00 pa
	+		+
Member (post-1997):	$£68,320.00 \times [9\text{yrs} + (0\text{dys}/365\text{dys})] / 60$	=	£10,248.00 pa
	+		+
Member (post-1997):	$£68,320.00 \times [6\text{yrs} + (164\text{dys}/365\text{dys})] / 70$	=	£6,294.53 pa
Member (total – pre ERF):		=	<b>£37,789.92 pa</b>
Member (total – post ERF):	$£37,789.92 \times 0.791$	=	<b><u>£29,891.83 pa</u></b>
Spouse (payable on death):	$£29,891.83 \times 50\%$	=	<b><u>£14,945.92 pa</u></b>

**GMP Check:**

Pre-1997 pension v GMP:  $\pounds 10,511.39 \times 0.791 = \pounds 8,314.51$  v  
[ $\pounds 875.16 + \pounds 3,250.52 = \pounds 4,125.68$ ] => OK

OR

Total pension v  
post-1997 pension + GMP:  $\pounds 29,891.83$  v ( $\{(\pounds 37,789.92 - \pounds 10,511.39 = \pounds 27,278.53)\} \times 0.791$   
 $= \pounds 21,577.32$ ) +  $\pounds 4,125.68 = \pounds 25,703.00$ ) => OK

OR

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

Member:  $\pounds 29,891.83 \times 20 / [3 + (20 / 27.92)] = \pounds 160,867.37$

'LS&DBA' Check:  $\pounds 160,867.37$  vs  $\pounds 1,073,100.00 =$  OK

'LSA' Check:  $\pounds 160,867.37$  vs  $\pounds 268,275.00 =$  OK

**Residual Pension**

Member:  $\pounds 29,891.83 - (\pounds 160,867.37 / 27.92 = \pounds 5,761.73) = \pounds 24,130.10$  pa

Spouse (payable on death):  $\pounds 29,891.83 \times 50\% = \pounds 14,945.92$  pa

**GMP Check:**

$\pounds 24,130.10$  pa is greater than GMP of  $\pounds 4,125.68$  pa (therefore no cash sum restriction required)

## **Summary Answer**

### *Option 1 – Pension Only*

A full pension of **£29,891.83 per annum** (including an excess pension of **£25,766.15 per annum**, a pre-1988 GMP of **£875.16 per annum** and a post-1988 GMP of **£3,250.52 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%.

A spouse's pension of **£14,945.92 per annum**.

OR

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

A tax-free cash sum of **£160,867.37** plus a residual pension of **£24,130.10 per annum** (including an excess pension of **£20,004.42 per annum**, a pre-1988 GMP of **£875.16 per annum** and a post-1988 GMP of **£3,250.52 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 tax-free cash sum of **£160,867.37** is within both the member's available 'LS&DBA' of **£1,073,100.00** and 'LSA' of **£268,275.00**.

A spouse's pension of **£14,945.92 per annum**.