

WORKED ANSWER**XYZ SCHEME****PRS => RET (NORMAL)****WILLIAM CHARLTON – CATEGORY A**

Date of birth:	13/09/1959
Date of joining scheme:	19/08/1990
Date of leaving scheme:	07/02/2015
Date of retirement:	13/09/2024
Age at date of retirement:	65yrs & 0mths
GMP due date:	13/09/2024
Normal pension date:	13/09/2024
Type of retirement:	Preserved to normal retirement
Preserved pension at DOL:	£7,922.99 pa
Pre-1988 GMP at DOL:	N/A
Post-1988 GMP at DOL:	£2,465.84 pa
Excess at DOL:	£5,457.15 pa (£7,922.99 – £2,465.84)
Current AVCs:	£51,621.18
AVC pension (single life):	£2,731.28
AVC pension (joint life):	N/A
Excess Pension revaluation (DOL to NPD):	38.2% (lower 5.0% and RPI)
GMP revaluation (DOL to GMP due date):	1.518 (06/04/15 - 05/04/24 = 9 tax years @ 4.75%)
Remaining 'LS&DBA':	£1,073,100.00
Remaining 'LSA':	£268,275.00
Commutation factor:	22.46 (based on age 65yrs & 0mths)

Option 1 – Full Pension**Full Pension**

Revalued total GMP (DOL to GMP due date):	£2,465.84 / 52 = £47.42 pw £47.42 x 1.518 = £71.98 pw £71.98 x 52	=	<i>£3,742.96 pa</i>
Revalued post-1988 GMP (DOL to GMP due date):	£2,465.84 / 52 = £47.42 pw £47.42 x 1.518 = £71.98 pw £71.98 x 52	=	<i>£3,742.96 pa</i>
Revalued pre-1988 GMP (DOL to GMP due date):	£3,742.96 - £3,742.96	=	<i>£0.00 pa</i>
Revalued Excess (DOL to NPD):	£5,457.15 x 1.382 (= 38.2%)	=	<i>£7,541.78 pa</i>
Member (excluding AVCs):		=	<u><i>£11,284.74 pa</i></u>
AVC Pension (single life) (Payable from NPD):		=	<u><i>£2,731.28 pa</i></u>
Member (including AVCs):		=	<u><i>£14,016.02 pa</i></u>
Spouse (payable on death):	£11,284.74 x 50%	=	<u><i>£5,642.37 pa</i></u>

OR

Option 2 – Cash Sum & Residual Pension

Cash Sum

Member:	$\pounds 11,284.74 \times 20 / [3 + (20 / 22.46)]$	=	<i>£58,012.19</i>
	+ ($\pounds 51,621.18$ [AVCs] x 25%)	=	<i>£12,905.30</i>
			<u>£70,917.49</u>

'LS&DBA' Check: $\pounds 70,917.49$ vs $\pounds 1,073,100.00$ = **OK**

'LSA' Check: $\pounds 70,917.49$ vs $\pounds 268,275.00$ = **OK**

Residual Pension

Member: $\pounds 11,284.74 - ([\pounds 70,917.49 - \pounds 51,621.18] / 22.46 = \pounds 859.14)$ = **£10,425.60 pa**

Spouse (payable on death): $\pounds 11,284.74 \times 50\%$ = **£5,642.37 pa**

GMP Check:

$\pounds 10,425.60$ pa is greater than GMP of $\pounds 3,742.96$ pa (therefore no cash sum restriction required)

Summary Answer

Option 1 – Pension Only (AVCs single life)

A full pension of **£14,016.02 per annum**, of which **£7,541.78 per annum** (*excess pension*) and **£2,731.28 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 **£3,742.96 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%.

A spouse's pension of **£5,642.37 per annum**.

OR

Option 2 – Cash Sum & Residual Pension

A tax-free cash sum of **£70,917.49** (including the current value of the member's AVC fund of **£51,621.18**) plus a residual pension of **£10,425.60 per annum**, of which **£6,682.64 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 **£3,742.96 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 tax-free cash sum of **£70,917.49** 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 **£5,642.37 per annum**.

Note

If William Charlton 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 William Charlton. The Trustees must explain to William Charlton 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.