

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

MARTIN LILLEE

Date of birth:	02/07/1963
Date joined scheme:	06/04/2002
Date of retirement:	12/09/2024
Age at date of retirement:	61 years & 2 months
Normal pension age:	65
Normal pension date:	02/07/2028
Type of retirement:	Ill health retirement
Spouse's date of birth:	10/06/1974 (spouse > 10 years younger – potential reduction!)
Pre-2006 CARE pension @ 5 April 2024:	£1,581.66 pa
Post-2006 CARE pension @ 5 April 2024:	£15,052.22 pa
Pro-rata CPI:	2.1%
Pensionable earnings:	£75,480.00 [(£73,850+£75,460+£77,130) / 3]
Pensionable service (6 April 2024 to NPD):	4yrs & 2mths (06/04/2024 - 02/07/2028)
Contractual salary:	£79,480.00
Underpin (total pens. service to NPD):	26yrs & 2mths (06/04/2002 - 02/07/2028)
Underpin (pre-2006 pens. service):	4yrs & 0mths (06/04/2002 - 05/04/2006)
Underpin (post-2006 pens. service to NPD):	22yrs & 2mths (06/04/2006 - 02/07/2028)
Remaining 'LS&DBA':	£1,073,100.00
Remaining 'LSA':	£268,275.00
Commutation factor:	20.34 (age 61yrs & 2mths) [20.42 – (0.48 x 2/12 = 0.08) = 20.34]
Early retirement factor:	N/A (ill-health)

CARE Pension

Pension @ 5/4/24 (pre-2006):	=	£1,581.66 pa
Pro-rata CPI increase: £1,581.66 x 2.1%	=	£33.21 pa
Member (pre-2006): £1,581.66 + £33.21	=	£1,614.87 pa
Pension @ 5/4/24 (post-2006):	=	£15,052.22 pa
Pro-rata CPI increase: £15,052.22 x 2.1%	=	£316.10 pa
YTD/prospective pension: £75,480.00 x $4^2/12$ x 1/75	=	£4,193.33 pa
Member (post-2006): £15,052.22 + £316.10 + £4,193.33	=	£19,561.65 pa
Total CARE pension:	=	<u>£21,176.52 pa</u>

Spouse (pre-2006): £1,614.87 x 40%	=	645.95 pa
Spouse (post-2006): £19,561.65 x 40%	=	£7,824.66 pa
Spouse (total): £645.95 + £7,824.66	=	<u>£8,470.61 pa</u>

Final Salary Underpin

Pension (pre-2006):	$£79,480.00 \times 4^0/_{12} \times 1/90$	=	<i>£3,532.44 pa</i>
Pension (post-2006):	$£79,480.00 \times 22^2/_{12} \times 1/90$	=	<i>£19,575.63 pa</i>
Total Underpin pension:	$£3,532.44 + £19,575.63$	=	<u>£23,108.07 pa</u>

Total Underpin pension of £23,108.07 pa exceeds total CARE pension of £21,176.52 pa!

Option 1 – Full Pension (Underpin)

Full Pension

Member (pre-2006):		=	<i>£3,532.44 pa</i>
Member (post-2006):		=	<i>£19,575.63 pa</i>
Member (total):		=	<u>£23,108.07 pa</u>

Spouse (pre-2006):	$£3,532.44 \times 40\%$	=	<i>£1,412.98 pa</i>
Spouse (post-2006):	$£19,575.63 \times 40\%$	=	<i>£7,830.25 pa</i>
Spouse (total):	$£1,412.98 + £7,830.25$	=	<u>£9,243.23 pa</u>

OR

Option 2 – Cash Sum & Residual Pension

Cash Sum

Member:	$£23,108.07 \times 20 / [3 + (20 / 20.34)]$	=	<u>£116,025.21</u>
'LS&DBA' Check:	$£116,025.21$ vs $£1,073,100.00$	=	OK
'LSA' Check:	$£116,025.21$ vs $£268,275.00$	=	OK

Residual Pension

Member (total):	$£23,108.07 - (£116,025.21 / 20.34 = £5,704.29)$	=	<u>£17,403.78 pa</u>
Member (post-2006):	$£19,575.63 - £5,704.29$	=	<i>£13,871.34 pa</i>
Member (pre-2006):		=	<i>£3,532.44 pa</i>

Spouse (pre-2006):	Unchanged	=	<i>£1,412.96 pa</i>
Spouse (post-2006):	Unchanged	=	<i>£7,830.25 pa</i>
Spouse (total):	Unchanged	=	<u>£9,243.23 pa</u>

Summary Answer

Option 1 – Pension Only

A full pension of **£23,108.07 per annum**, of which **£3,532.44 per annum** increases at the lower of RPI and 5.0% (pre-2006) and **£19,575.63 per annum** increases at the lower of RPI and 2.5% (post-2006).

A spouse's pension of **£9,243.23 per annum**, of which **£1,412.98 per annum** increases at the lower of RPI and 5.0% (pre-2006) and **£7,830.25 per annum** increases at the lower of RPI and 2.5% (post-2006).

OR

Option 2 – Cash Sum & Residual Pension

A tax-free cash sum of **£116,025.21** plus a residual pension of **£17,403.78 per annum**, of which **£3,532.44 per annum** increases at the lower of RPI and 5.0% (pre-2006) and **£13,871.34 per annum** increases at the lower of RPI and 2.5% (post-2006). The tax-free cash sum of **£116,025.21** 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 **£9,243.23 per annum**, of which **£1,412.98 per annum** increases at the lower of RPI and 5.0% (pre-2006) and **£7,830.25 per annum** increases at the lower of RPI and 2.5% (post-2006).