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

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| **ELIZABETH BANNISTER – CATEGORY A**  Date of birth: | 18/07/1961 |
| Date of joining scheme: | 20/02/1994 |
| Date of retirement: | 04/09/2020 |
| Age at date of retirement: | 59 years & 1 month |
| Normal pension age: | 65 |
| Type of retirement: | Early retirement |
| Pre-1997 pens’able service - [70ths]: | 3 years & 45 days [20/02/1994-05/04/1997] |
| Post-1997 pens’able service (1) - [70ths]: | 6 years & 0 days [06/04/1997-05/04/2003] |
| Post-1997 pens’able service (2) - [60ths]: | 4 years & 0 days [06/04/2003-05/04/2007] |
| Post-1997 pens’able service (3) - [70ths]: | 7 years & 0 days [06/04/2007-05/04/2014] |
| Post-1997 pens’able service (4) - [60ths]: | 6 years & 152 days [06/04/2014-04/09/2020] |
| Post-1988 GMP @ DOR: | £632.84 |
| Commutation factor: | 15.22 (age 59yrs & 1mth) |
|  | *15.24 – [1/12 x 0.24 = 0.02]* |
| Early retirement factor: | 95% (rounded to nearest integer) |
|  | *94% + [1/12 x 6 = 0.5%]* |
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Final pensionable salary is the greater of the following:

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

2016 = £49,350.00

2017 = £52,300.00

2018 = £55,000.00

2019 = £57,200.00

2020 = **£59,990.00**

# Option 1 – Full Pension

Member: 3 + (45/365) / 70 x £59,990.00 = £2,676.66 pa

6 + (0/365) / 70 x £59,990.00 = £5,142.00 pa

4 + (0/365) / 60 x £59,990.00 = £3,999.33 pa

7 + (0/365) / 70 x £59,990.00 = £5,999.00 pa

6 + (152/365) / 60 x £59,990.00 = £6,415.37 pa

£24,232.36 pa

£24,232.36 x 95% = **£23,020.74 pa**

Spouse: £23,020.74 x 50% = £11,510.37 pa

**GMP Check:**

Pre-1997 pension v GMP: £2,676.66 x 95% = *£2,542.83* v *£632.84* => ok

OR

Total v post-1997 pension + GMP: *£23,020.74* v ([21,555.70 x 95%] + £632.84 = *£21,110.76*) => ok

***Lifetime Allowance Check:*** £23,020.74 x 20 x 100 / £1,073,100.00 = **42.90%**

*42.90% is within the member’s LTA balance of 100.00%*

**OR**

# Option 2 – Pension Commencement Lump Sum and Residual Pension Lump Sum:

£23,020.74 x 20 / [3 + (20 / 15.22)] = **£106,724.23**

***Lifetime Allowance Check:*** £106,724.23 x 100 / £1,073,100.00 = **9.94%**

**Residual Pension:**

£23,020.74 – (£106,724.23 / 15.22 = £7,012.10) = **£16,008.64 pa**

Spouse: £23,020.74 x 50% = £11,510.37 pa

**GMP Check:**

£16,008.64 pa is greater than GMP of £632.84 pa (therefore no lump sum restriction required)

***Lifetime Allowance Check:*** £16,008.64 x 20 x 100 / £1,073,100 = **29.83%**

Total Lifetime Allowance for Option 2 = 9.94 + 29.83 = **39.77%**

*39.77% is within the member’s LTA balance of 100.00%*

**Summary Answer**

*Option 1 – Pension Only*

A full pension of **£23,020.74** per annum (including an excess element of **£22,387.90** per annum and a post-1988 GMP of **£632.84** per annum) which increases at the lower of RPI and 5.0% up to GMP due date (age 65). From that date, the post-1988 GMP will increase by the lower of CPI and 3.0% and the balance will increase by the lower of RPI and 5.0%. LTA used is **42.90%**, which is within the percentage LTA remaining of 100.00%.

A spouse’s pension of **£11,510.37** per annum

OR

*Option 2 – Pension Commencement Lump Sum & Residual Pension*

A pension commencement lump sum of **£106,724.23** plus a residual pension of **£16,008.64** per annum (including an excess element of **£15,375.80** per annum and a post-1988 GMP of **£632.84** per annum) which increases at the lower of RPI and 5.0% up to GMP due date (age 65). From that date, the post-1988 GMP will increase by the lower of CPI and 3.0% and the balance will increase by the lower of RPI and 5.0%. LTA used is **9.94%** for the pension commencement lump sum and **29.83%** for the residual pension [total LTA = **39.77%**], which is within the percentage LTA remaining of 100.00%.

A spouse’s pension of **£11,510.37** per annum