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

# STANLEY OSBORNE

Date of birth: 03/12/1961

Date of retirement: 04/09/2020

Age at date of retirement: 58 years & 9 months

Normal pension age: 65

Type of retirement: Early retirement

Spouse’s date of birth: 02/07/1957 (< 10 years younger)

Pre 6 April 2006 CARE pension @ 5 April 2020: £10,020.03

Post 5 April 2006 CARE pension @ 5 April 2020: £16,771.89

Pro-rata CPI: 1.60%

Pensionable Earnings figure from 6 April 2020: £60,091.67 [(£61,375+£60,000+£58,900) / 3] Final Scheme Year Pensionable Service (80ths): 4mths (06/04/2020-04/09/2020)

Contractual Salary: £62,100.00

Underpin - Total Service to DOR: 23yrs & 4mths (06/04/1997-04/09/2020)

Underpin - Pre ’06 Service: 09yrs & 0mths (06/04/1997-05/04/2006)

Underpin - Post ’06 Service to DOR: 14yrs & 4mths (06/04/2006-04/09/2020)

S/Life Pension (level/non-commutable): £2,250.00

Commutation Factor: 15.30 (Age 58yrs & 9mths)

*[15.48 – (0.24 x 9/12 = 0.18) = 15.30]*

Early Retirement Factor: 75% (Age 58yrs & 9mths)

*[72 + (4 x 9/12 = 3) = 75 %]*

# CARE Pension Member Spouse (40%)

Pre 6 April 2006 CARE pension: £ 10,020.03

Pro-rata CPI increase: £10,020.03 x 1.60% = £ 160.32

Total £ 10,180.35 pa

Early retirement factor: £10,180.35 x 75% = £ 7,635.26 pa £3,054.10 pa

Post 5 April 2006 CARE pension: £ 16,771.89 Pro-rata CPI increase: £16,771.89 x 1.60% = £ 268.35

Final Scheme Year Pension to DOR: £60,091.67 x 4/12 x 1/80 = £ 250.38

Total £ 17,290.62 pa

Early retirement factor: £17,290.62 x 75% = £ 12,967.97 pa £5,187.19 pa

# Total CARE Pension (*excluding Augmentation*):

£7,635.26 + £12,967.97 = **£ 20,603.23 pa £8,241.29 pa**

# Total CARE Pension (*including Augmentation*):

£7,635.26 + £12,967.97 + £2,250.00 = **£ 22,853.23 pa £8,241.29 pa**

# Final Salary Underpin

Underpin - Pre ’06: £62,100.00 x 9 x 1/100

x 75% = £ 4,191.75 pa

Underpin - Post ’06 £62,100.00 x 144/12 x 1/100 =

x 75% = £ 6,675.75 pa

**Total Underpin Pension (*excluding Augmentation*):**

£4,191.75 + £6,675.75 = **£ 10,867.50 pa**

**Total Underpin Pension (*including Augmentation*):**

£4,191.75 + £6,675.75 + £2,250.00 = **£ 13,117.50 pa**

# Total CARE Pension (*excluding Augmentation*) of £20,603.23 pa exceeds Total Underpin Pension (*excluding Augmentation*) of £10,867.50 pa!

|  |  |  |
| --- | --- | --- |
| **Option 1 – Full Pension**  CARE pension: | **Member**  **£22,853.23 pa** | **Spouse** (40%)  **£8,241.29 pa** |

***Lifetime Allowance Check*:** £22,853.23 x 20 x 100 / £1,073,100.00 = **42.59%**

|  |  |
| --- | --- |
| *42.59% is within the member’s LTA balance of 94.77%* |  |

# Option 2 – Pension Commencement Lump Sum & Residual Pension

# Lump Sum

20 x £20,603.23 (*excluding Augmentation*) / [3 + (20 / 15.30)] = **£ 95,669.02**

***Lifetime Allowance Check*:** £95,669.02 x 100 / £1,073,100.00 = **8.91%**

# Residual Pension

£22,853.23 – (£95,669.02 / 15.30 = £6,252.88) = **£ 16,600.35 pa**

Pre 6 April 2006 = £ 7,635.26 pa

Post 5 April 2006 = £ 6,715.09 pa

Augmentation = £ 2,250.00 pa

Spouse’s Pension unchanged @ £8,241.29 pa (Pre ’06 = £3,054.10 pa & Post ’06 = £5,187.19 pa)

***Lifetime Allowance Check*:** £16,600.35 x 20 x 100 / £1,073,100.00 = **30.93%**

Total Lifetime Allowance for Option 2 = 8.91 + 30.93 = **39.84%**

# *39.84% is within the member’s LTA balance of 94.77%*

# Summary Answer

*Option 1 – Pension Only*

A full CARE pension of **£22,853.23** per annum, of which **£7,635.26** per annum increases at the lower of RPI and 5.0% (pre-2006), **£12,967.97** per annum increases at the lower of RPI and 2.5% (post-2006) and **£2,250.00** per annum is non-increasing. LTA used is **42.59%**, which is within the percentage LTA remaining of 94.77%.

A spouse’s CARE pension of **£8,241.29** per annum, of which **£3,054.10** per annum increases at the lower of RPI and 5.0% (pre-2006) and **£5,187.19** per annum increases at the lower of RPI and 2.5% (post-2006).

OR

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

A pension commencement lump sum of **£95,669.02** plus a residual CARE pension of **£16,600.35** per annum, of which **£7,635.26** per annum increases at the lower of RPI and 5.0% (pre-2006), **£6,715.09** per annum increases at the lower of RPI and 2.5% (post-2006) and **£2,250.00** per annum is non-increasing. LTA used is **8.91%** for the pension commencement lump sum and **30.93%** for the residual pension [total LTA = **39.84%**], which is within the percentage LTA remaining of 94.77%.

A spouse’s CARE pension of **£8,241.29** per annum, of which **£3,054.10** per annum increases at the lower of RPI and 5.0% (pre-2006) and **£5,187.19** per annum increases at the lower of RPI and 2.5% (post-2006).