# WORKED ANSWER RST SCHEME ACTIVE => RETIREMENT (EARLY)

# MICHELLE SHERROCK

Date of birth: 27/03/1963

Date of retirement: 09/09/2023

Age at date of retirement: 60 years & 5 months

Normal pension age: 65

Type of retirement: Early retirement

Spouse’s date of birth: 22/06/1974 (> 10 years younger!)

Pre-2006 CARE pension @ 5 April 2023: £11,401.62

Post-2006 CARE pension @ 5 April 2023: £19,224.44

Pro-rata CPI: 4.6%

Pensionable earnings: £82,375.00 [(£79,400+£82,300+£85,425) / 3]

YTD pensionable service (65ths): 5mths (06/04/2023-09/09/2023)

Contractual salary: £87,200.00

Underpin (total service to DOR): 28yrs & 5mths (06/04/1995-09/09/2023)

Underpin (pre-2006 service): 11yrs & 0mths (06/04/1995-05/04/2006)

Underpin (post-2006 service to DOR): 17yrs & 5mths (06/04/2006-09/09/2023)

Commutation factor: 20.70 (Age 60yrs & 5mths)

*[20.90 – (0.48 x 5/12 = 0.20) = 20.70]*

Early retirement factor: 0.817 (Age 60yrs & 5mths)

*[0.800 + (0.04 x 5/12 = 0.017) = 0.817]*

# CARE Pension

Pension @ 5/4/23 (pre-2006): = ***£11,401.62 pa***

Pro-rata CPI increase: £11,401.62 x 4.6% = ***£524.47 pa***

Member (pre-2006): = **£11,926.09 pa**

Member (pre-2006): £11,926.09 x 0.817 = **£9,743.62 pa**

Pension @ 5/4/23 (post-2006): = ***£19,224.44 pa***

Pro-rata CPI increase: £19,224.44 x 4.6% = ***£884.32 pa***

YTD pension: £82,375.00 x 5/12 x 1/65 = ***£528.04 pa***

Member (post-2006): = **£20,636.80 pa**

Member (post-2006): £20,636.80 x 0.817 = **£16,860.27 pa**

Total CARE pension: £9,743.62 + £16,860.27 = **£26,603.89 pa**

Spouse (pre-2006): £9,743.62 x 40% = ***£3,897.45 pa***

Spouse (post-2006): £16,860.27 x 40% = ***£6,744.11 pa***

Spouse (total): £3,897.45 + £6,744.11 = ***£10,641.56 pa***

# Final Salary Underpin

Pension (pre-2006): £87,200.00 x 11 x 1/90 x 0.817 = ***£8,707.40 pa***

Pension (post-2006): £87,200.00 x 175/12 x 1/90 x 0.817 = ***£13,786.72 pa***

Total Underpin pension: £8,707.40 + £13,786.72 = **£22,494.12 pa**

# Total CARE pension of £26,603.89 pa exceeds total Underpin pension of £22,494.12 pa!

**Option 1 – Full Pension (CARE)**

**Full Pension**

Member (pre-2006): = **£9,743.62 pa**

Member (post-2006): = **£16,860.27 pa**

Member (total): = **£26,603.89 pa**

Spouse (pre-2006): = ***£3,897.45 pa***

Spouse (post-2006): = ***£6,744.11 pa***

Spouse (total): = ***£10,641.56 pa***

***Lifetime Allowance Check:*** £26,603.89 x 20 x 100 / £1,073,100.00 = **49.58%**

*49.58% is within the member’s LTA balance of 100.00%*

**OR**

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

**Cash Sum**

Member: £26,603.89 x 20 / [3 + (20 / 20.70)] = **£134,153.60**

***Lifetime Allowance Check:*** £134,153.60 x 100 / £1,073,100.00 = **12.50%**

**Residual Pension**

Member (total): £26,603.89 – (£134,153.60 / 20.70 = £6,480.85) = **£20,123.04 pa**

Member (post-2006): £16,860.27 – £6,480.85 = **£10,379.42 pa**

Member (pre-2006): = **£9,743.62 pa**

Spouse (pre-2006): Unchanged = ***£3,897.45 pa***

Spouse (post-2006): Unchanged = ***£6,744.11 pa***

Spouse (total): Unchanged = ***£10,641.56 pa***

***Lifetime Allowance Check:*** £20,123.04 x 20 x 100 / £1,073,100.00 = **37.50%**

Total Lifetime Allowance for Option 2 = 12.50% + 37.50% = **50.00%**

*50.00% is within the member’s LTA balance of 100.00%*

# Summary Answer

*Option 1 – Pension Only*

A full pension of **£26,603.89 per annum**, of which **£9,743.62** **per annum** increases at the lower of RPI and 5.0% (pre-2006) and **£16,860.27** **per annum** increases at the lower of RPI and 2.5% (post-2006). The LTA used is **49.58%**, which is within the percentage LTA remaining of **100.00%**.

A spouse’s pension of **£10,641.56** **per annum**, of which **£3,897.45** **per annum** increases at the lower of RPI and 5.0% (pre-2006) and **£6,744.11** **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 **£134,153.60** plus a residual pension of **£20,123.04** **per annum**, of which **£9,743.62** **per annum** increases at the lower of RPI and 5.0% (pre-2006) and **£10,379.42** **per annum** increases at the lower of RPI and 2.5% (post-2006). The LTA used is **12.50%** for the tax-free cash sum and **37.50%** for the residual pension [total LTA = **50.00%**], which is within the percentage LTA remaining of **100.00%**.

A spouse’s pension of **£10,641.56** **per annum**, of which **£3,897.45** **per annum** increases at the lower of RPI and 5.0% (pre-2006) and **£6,744.11** **per annum** increases at the lower of RPI and 2.5% (post-2006).