

**WORKED ANSWER                      XYZ SCHEME                      ACT => RET (ILL HEALTH)**

**BEVERLEY STILES – CATEGORY B**

Date of birth:	17/01/1967
Date of joining scheme:	06/11/1997
Date of retirement:	12/09/2024
Age at date of retirement:	57yrs & 7mths
Normal pension date:	17/01/2032
Type of retirement:	Ill health early retirement
Pensionable service:	13yrs & 240dys (06/11/1997 – 03/07/2011)
AVCs (current value):	£39,446.80
AVCs (single life pension):	£2,629.79 pa
AVCs (joint life pension):	£2,191.48 pa
Remaining 'LS&DBA':	£1,073,100.00
Remaining 'LSA':	£268,275.00
Commutation factor:	26.34 (based on age 57yrs & 7mths) [26.76 – (0.72 x 7/12 = 0.42) = 26.34]

Final pensionable salary is the greater of the following:

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

2020	=	£71,125.00
2021	=	£73,400.00
2022	=	<b>£75,650.00</b> ( <i>highest in last 5 years</i> )
2023	=	£70,000.00
2024	=	£70,120.00

- Final pensionable salary at 3 July 2011 (indexed by the lower of 5.0% or RPI annual increases from 4 July 2011 to NPD, or earlier date of retirement):

£53,820.00 x 1.487 (= 48.7%) = **£80,030.34**

Greater of **£75,650.00** and **£80,030.34** = **£80,030.34**

**Option 1A – Full Pension**

**Full Pension (Single Life AVCs)**

Member (scheme):	£80,030.34 x [13yrs + (240dys/365dys)] / 60	=	<b>£18,216.95 pa</b>
			+
Member (AVCs – single life):		=	<b>£2,629.79 pa</b>
Member (total):			<b><u>£20,846.74 pa</u></b>
Spouse (payable on death):	£18,216.95 x 50%	=	<b><u>£9,108.48 pa</u></b>

**OR**

### Option 1B – Full Pension

#### Full Pension (Joint Life AVCs)

Member (scheme):	$\pounds 80,030.34 \times [13\text{yrs} + (240\text{dys}/365\text{dys})] / 60$	=	<b><i><u>£18,216.95 pa</u></i></b>
			+
Member (AVCs – joint life):		=	<b><i><u>£2,191.48 pa</u></i></b>
Member (total):			<b><i><u>£20,408.43 pa</u></i></b>
Spouse (payable on death):	$\pounds 20,408.43 \times 50\%$	=	<b><i><u>£10,204.22 pa</u></i></b>

OR

### Option 2 – Cash Sum & Residual Pension

#### Cash Sum

Member:	$\pounds 18,216.95 \times 20 / [3 + (20 / 26.34)]$	=	<b><i><u>£96,916.68</u></i></b>
	$+ (\pounds 39,446.80 \text{ [AVCs]} \times 25\%)$	=	<b><i><u>£9,861.70</u></i></b>
			<b><i><u>£106,778.38</u></i></b>

***'LS&DBA' Check:***  $\pounds 106,778.38$  vs  $\pounds 1,073,100.00$  = **OK**

***'LSA' Check:***  $\pounds 106,778.38$  vs  $\pounds 268,275.00$  = **OK**

#### Residual Pension

Member:	$\pounds 18,216.95 - ([\pounds 106,778.38 - \pounds 39,446.80] / 26.34 = \pounds 2,556.25)$	=	<b><i><u>£15,660.70 pa</u></i></b>
Spouse (payable on death):	$\pounds 18,216.95 \times 50\%$	=	<b><i><u>£9,108.48 pa</u></i></b>

## **Summary Answer**

### *Option 1A – Pension Only (AVCs single life)*

A full pension of **£20,846.74 per annum** (including a single life AVC pension of **£2,629.79 per annum**), which 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*).

A spouse's pension of **£9,108.48 per annum**.

OR

### *Option 1B – Pension Only (AVCs joint life)*

A full pension of **£20,408.43 per annum** (including a joint life AVC pension of **£2,191.48 per annum**), which 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*).

A spouse's pension of **£10,204.22 per annum** (including a joint life AVC pension of **£1,095.74 per annum**).

OR

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

A tax-free cash sum of **£106,778.38** (including the current value of the member's AVC fund of **£39,446.80**) plus a residual pension of **£15,660.70 per annum**, which 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*). The tax-free cash sum of **£106,778.38** 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 **£9,108.48 per annum**.

## **Note**

If Beverley Stiles wishes to take her AVCs flexibly outside of the XYZ Pension and Life Assurance Scheme, she 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 Beverley Stiles. The Trustees must explain to Beverley Stiles that the transfer of her AVCs cannot proceed until she has received appropriate pensions guidance from Pensions Wise, or that she can only opt out of the Pensions Wise guidance by providing the Trustees with an opt-out notification.