

WORKED ANSWER

XYZ SCHEME

PRS => RET (NORMAL)

ALBERT SPARIDAANS – CATEGORY B

Date of birth:	14/09/1960
Date of joining scheme:	06/11/1997
Date of leaving scheme:	06/06/2018
Date of retirement:	14/09/2025
Age at date of retirement:	65yrs & 0mths
Normal pension date:	14/09/2025
Type of retirement:	Preserved to normal retirement
Preserved pension at DOL:	£12,004.33
Pension revaluation:	26.9% (lower of 5.0% and RPI)
AVCs (current value):	£87,901.66
AVCs (single life pension):	£5,420.88 pa
AVCs (joint life pension):	£4,621.56 pa
Remaining 'LS&DBA':	£1,073,100.00
Remaining 'LSA':	£268,275.00
Commutation factor:	21.00 (age 65yrs & 0mths)

Option 1A – Full Pension

Full Pension (Single Life AVCs)

Member:	£12,004.33 x 1.269 (= 26.9%)	=	<i>£15,233.49 pa</i>
			+
Member (AVCs – single life):		=	<i>£5,420.88 pa</i>
Member (total):			<u>£20,654.37 pa</u>

Spouse (payable on death):	£15,233.49 x 50%	=	<i>£7,616.75 pa</i>
			+
Spouse (AVCs):		=	<i>N/A</i>
Spouse (total):			<u>£7,616.75 pa</u>

OR

Option 1B – Full Pension

Full Pension (Joint Life AVCs)

Member:	$£12,004.33 \times 1.269 (= 26.9\%)$	=	<i>£15,233.49 pa</i>
			+
Member (AVCs – joint life):		=	<i>£4,621.56 pa</i>
Member (total):			<u>£19,855.05 pa</u>

Spouse (payable on death):	$£15,233.49 \times 50\%$	=	<i>£7,616.75 pa</i>
			+
Spouse (AVCs):	$£4,621.56 \times 50\%$	=	<i>£2,310.78 pa</i>
Spouse (total):			<u>£9,927.53 pa</u>

OR

Option 2 – Cash Sum & Residual Pension

Cash Sum

Member:	$£15,233.49 \times 20 / [3 + (20 / 21.00)]$	=	<i>£77,085.13</i>
	+ $(£87,901.66 \text{ [AVCs]} \times 25\%)$	=	<i>£21,975.42</i>
			<u>£99,060.55</u>

'LS&DBA' Check: £99,060.55 vs £1,073,100.00 = **OK**

'LSA' Check: £99,060.55 vs £268,275.00 = **OK**

Residual Pension

Member:	$£15,233.49 - ([£99,060.55 - £87,901.66] / 21.00 = £531.38)$	=	<u>£14,702.11 pa</u>
---------	--	---	-----------------------------

Spouse (payable on death):	$£15,233.49 \times 50\%$	=	<u>£7,616.75 pa</u>
----------------------------	--------------------------	---	----------------------------

Summary Answer

Option 1A – Pension Only (AVCs single life)

A full pension of **£20,654.37 per annum** (including a single life AVC pension of **£5,420.88 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 **£7,616.75 per annum**.

OR

Option 1B – Pension Only (AVCs joint life)

A full pension of **£19,855.05 per annum** (including a joint life AVC pension of **£4,621.56 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 **£9,927.53 per annum** (including a joint life AVC pension of **£2,310.78 per annum**).

OR

Option 2 – Cash Sum & Residual Pension

A tax-free cash sum of **£99,060.55** (including the current value of the member's AVC fund of **£87,901.66**) plus a residual pension of **£14,702.11 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 **£99,060.55** 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 **£7,616.75 per annum**.

Note

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