

WORKED ANSWER**XYZ SCHEME****PRS => RET (EARLY)****ARTHUR SPENCER – CATEGORY A**

Date of birth:	28/02/1967
Date of joining scheme:	11/07/1994
Date of leaving scheme:	19/03/2016
Date of retirement:	14/09/2026
Age at date of retirement:	59yrs & 6mths
GMP due date:	14/09/2026
Normal pension date:	14/09/2026
Type of retirement:	Preserved to early retirement
Preserved pension at DOL:	£6,885.84 pa
Pre-1988 GMP at DOL:	N/A
Post-1988 GMP at DOL:	£1,623.44 pa
Excess at DOL:	£5,262.40 pa ($£6,885.84 - £1,623.44$)
Current AVCs:	£47,110.88
AVC pension (single life):	£2,007.72
AVC pension (joint life):	£1,704.02
Excess Pension revaluation (DOL to DOR):	47.3% (lower 5.0% or RPI)
GMP revaluation (DOL to DOR):	1.591 (06/04/16 - 05/04/26 = 10 tax years @ 4.75%)
Remaining 'LS&DBA':	£1,073,100.00
Remaining 'LSA':	£268,275.00
Commutation factor:	26.42 (based on age 59yrs & 6mths) $[26.78 - (0.72 \times 6/12 = 0.36) = 26.42]$
Early retirement factor:	0.837 (based on age 59yrs & 6mths) $[0.825 + (0.024 \times 6/12 = 0.012) = 0.837]$

Option 1 – Full Pension**Full Pension**

Revalued total GMP (DOL to DOR):	$£1,623.44 / 52 = £31.22$ pw $£31.22 \times 1.591 = £49.67$ pw $£49.67 \times 52$	=	<i>£2,582.84 pa</i>
Revalued post-1988 GMP (DOL to DOR):	$£1,623.44 / 52 = £31.22$ pw $£31.22 \times 1.591 = £49.67$ pw $£49.67 \times 52$	=	<i>£2,582.84 pa</i>
Revalued pre-1988 GMP (DOL to DOR):	$£2,582.84 - £2,582.84$	=	<i>£0.00 pa</i>
Revalued Excess (DOL to DOR):	$£5,262.40 \times 1.473 (= 47.3\%)$	=	<i>£7,751.52 pa</i>
Member (<i>excluding</i> AVCs):		=	<i>£10,334.36 pa</i>
Member (reduced):	$£10,334.36 \times 0.837$	=	<i>£8,649.86 pa</i>
AVC Pension (joint life) (Payable from DOR):		=	<i>£1,704.02 pa</i>
Member (including AVCs):	$£8,649.86 + £1,704.02$	=	<i>£10,353.88 pa</i>
Spouse (payable on death):	$£10,353.88 \times 50\%$ (<i>including £852.01 pa AVCs</i>)	=	<i>£5,176.94 pa</i>

OR

Option 2 – Cash Sum & Residual Pension

Cash Sum

Member:	$£8,649.86 \times 20 / [3 + (20 / 26.42)]$	=	£46,046.61
	+ (£47,110.88 [AVCs] x 25%)	=	£11,777.72
			<u>£57,824.33</u>

'LS&DBA' Check: £57,824.33 vs £1,073,100.00 = **OK**

'LSA' Check: £57,824.33 vs £268,275.00 = **OK**

Residual Pension

Member:	$£8,649.86 - ([£57,824.33 - £47,110.88] / 26.42 = £405.51)$	=	<u>£8,244.35 pa</u>
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Spouse (payable on death): £8,649.86 x 50% (AVCs extinguished) = **£4,324.93 pa**

GMP Check:

£8,244.35 pa is greater than GMP of £2,582.84 pa (therefore no cash sum restriction required)

Summary Answer

Option 1 – Pension Only (AVCs joint life)

A full pension of **£10,353.88 per annum** (including an excess pension of **£6,067.02 per annum** [**£8,649.86 - £2,582.84 = £6,067.02 per annum**], a post-1988 GMP of **£2,582.84 per annum** and a joint-life AVC pension of **£1,704.02 per annum**). The pension 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*) up to GMP due date (age 65). From that date, the post-1988 GMP will be increased each year by the lower of the increase in the CPI and 3.0% and the balance (including the joint-life AVC pension) will be increased each year by the lower of the increase in the RPI and 5.0%.

A spouse's pension of **£5,176.94 per annum** (including a joint-life AVC pension of **£852.01 per annum**)

OR

Option 2 – Cash Sum & Residual Pension

A tax-free cash sum of **£57,824.33** (including the current value of the member's AVC fund of **£47,110.88**) plus a residual pension of **£8,244.35 per annum** (including an excess pension of **£5,661.51 per annum** and a post-1988 GMP of **£2,582.84 per annum**). The pension 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*) up to GMP due date (age 65). From that date, the post-1988 GMP will be increased each year by the lower of the increase in the CPI and 3.0% and the balance will be increased each year by the lower of the increase in the RPI and 5.0%. The tax-free cash sum of **£57,824.33** 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 **£4,324.93 per annum**.

Note

If Arthur Spencer 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 Arthur Spencer. The Trustees must explain to Arthur Spencer 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.