

WORKED ANSWER**XYZ SCHEME****ACT => RET (EARLY)****KELLY MOUNTJOY – CATEGORY A**

Date of birth:	13/03/1968
Date of joining scheme:	23/04/1995
Date of retirement:	12/09/2026
Age at date of retirement:	58yrs & 5mths
GMP due date:	13/03/2028
Normal pension date:	13/03/2033
Type of retirement:	Early retirement
Pre-1997 pensionable service [70ths]:	1yr & 348dys [23/04/1995 - 05/04/1997]
Post-1997 pensionable service [70ths]:	2yrs & 0dys [06/04/1997 - 05/04/1999]
Post-1997 pensionable service [60ths]:	5yrs & 0dys [06/04/1999 - 05/04/2004]
Post-1997 pensionable service [80ths]:	7yrs & 0dys [06/04/2004 - 05/04/2011]
Post-1997 pensionable service [60ths]:	15yrs & 160dys [06/04/2011 - 12/09/2026]
Pre-1988 GMP at DOR:	N/A
Post-1988 GMP at DOR:	£1,022.84 pa
Remaining 'LS&DBA':	£1,073,100.00
Remaining 'LSA':	£268,275.00
Commutation factor:	27.20 (based on age 58yrs & 5mths) [27.50 – (0.72 x 5/12 = 0.30) = 27.20]
Early retirement factor:	0.812 (based on age 58yrs & 5mths) [0.803 + (0.022 x 5/12 = 0.009) = 0.812]

Final pensionable salary is the greater of the following:

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

2022 =	£52,200.00	
2023 =	£54,650.00	
2024 =	£54,999.00	(highest in last 5 years)
2025 =	£53,050.00	
2026 =	£51,600.00	

Option 1 – Full Pension**Full Pension**

Member (pre-1997):	$£54,999.00 \times [1\text{yr} + (348\text{dys}/365\text{dys})] / 70$	=	£1,534.81 pa
	+		+
Member (post-1997):	$£54,999.00 \times [2\text{yrs} + (0\text{dys}/365\text{dys})] / 70$	=	£1,571.40 pa
	+		+
Member (post-1997):	$£54,999.00 \times [5\text{yrs} + (0\text{dys}/365\text{dys})] / 60$	=	£4,583.25 pa
	+		+
Member (post-1997):	$£54,999.00 \times [7\text{yrs} + (0\text{dys}/365\text{dys})] / 80$	=	£4,812.41 pa
	+		+
Member (post-1997):	$£54,999.00 \times [15\text{rs} + (160\text{dys}/365\text{dys})] / 60$	=	£14,151.57 pa
Member (total – pre ERF):		=	£26,653.44 pa
Member (total – post ERF):	$£26,653.44 \times 0.812$	=	<u>£21,642.59 pa</u>
Spouse (payable on death):	$£21,642.59 \times 50\%$	=	<u>£10,821.30 pa</u>

GMP Check:

Pre-1997 pension v GMP: $\pounds 1,534.81 \times 0.812 = \pounds 1,246.27$ v $\pounds 1,022.84 \Rightarrow$ **OK**

OR

Total pension v

post-1997 pension + GMP: $\pounds 21,642.59$ v $(\{\pounds 26,653.44 - \pounds 1,534.81 = \pounds 25,118.63\} \times 0.812$
 $= \pounds 20,396.33] + \pounds 1,022.84 = \pounds 21,419.17) \Rightarrow$ **OK**

OR

Option 2 – Cash Sum & Residual Pension

Cash Sum

Member: $\pounds 21,642.59 \times 20 / [3 + (20 / 27.20)] = \pounds 115,881.58$

'LS&DBA' Check: $\pounds 115,881.58$ vs $\pounds 1,073,100.00 =$ **OK**

'LSA' Check: $\pounds 115,881.58$ vs $\pounds 268,275.00 =$ **OK**

Residual Pension

Member: $\pounds 21,642.59 - (\pounds 115,881.58 / 27.20 = \pounds 4,260.35) = \pounds 17,382.24$ pa

Spouse (payable on death): $\pounds 21,642.59 \times 50\% = \pounds 10,821.30$ pa

GMP Check:

$\pounds 17,382.24$ pa is greater than GMP of $\pounds 1,022.84$ pa (therefore no cash sum restriction required)

Summary Answer

Option 1 – Pension Only

A full pension of **£21,642.59 per annum** (including an excess pension of **£20,619.75 per annum** and a post-1988 GMP of **£1,022.84 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 60). 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%.

A spouse's pension of **£10,821.30 per annum**.

OR

Option 2 – Cash Sum & Residual Pension

A tax-free cash sum of **£115,881.58** plus a residual pension of **£17,382.24 per annum** (including an excess pension of **£16,359.40 per annum** and a post-1988 GMP of **£1,022.84 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 60). 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 **£115,881.58** 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 **£10,821.30 per annum**.