

**WORKED ANSWER                      XYZ SCHEME                      ACT => RET (EARLY)**

**JOHN PEATY – CATEGORY B**

Date of birth:	13/03/1967
Date of joining scheme:	06/11/1997
Date of retirement:	13/09/2026
Age at date of retirement:	59yrs & 6mths
Normal pension date:	13/03/2032
Type of retirement:	Early retirement
Pensionable service:	13yrs & 240dys (06/11/1997 – 03/07/2011)
Remaining 'LS&DBA':	£1,073,100.00
Remaining 'LSA':	£268,275.00
Commutation factor:	24.96 (based on age 59yrs & 6mths) [25.32 – (0.72 x 6/12 = 0.36) = 24.96]
Early retirement factor:	0.970 (based on age 59yrs & 6mths) [0.940 + (0.060 x 6/12 = 0.030) = 0.970]

Final pensionable salary is the greater of the following:

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

2022	=	£68,667.00	
2023	=	£70,350.00	
2024	=	£72,455.00	
2025	=	£75,100.00	
2026	=	<b>£77,770.00</b>	(highest in last 5 years)

- 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):

£45,800.00 x 1.622 (= 62.2%)	=	<b>£74,287.60</b>
Greater of <b>£77,770.00</b> and <b>£74,287.60</b>	=	<b><u>£77,770.00</u></b>

**Option 1 – Full Pension**

**Full Pension**

Member (total – pre ERF):	£77,770.00 x [13yrs + (240dys/365dys)] / 60	=	<b>£17,702.44 pa</b>
Member (total – post ERF):	£17,702.44 x 0.970	=	<b><u>£17,171.37 pa</u></b>
Spouse (payable on death):	£17,171.37 x 50%	=	<b><u>£8,585.69 pa</u></b>

**OR**

## Option 2 – Cash Sum & Residual Pension

### Cash Sum

Member:  $\pounds 17,171.37 \times 20 / [3 + (20 / 24.96)] = \underline{\pounds 90,345.15}$

'LS&DBA' Check:  $\pounds 90,345.15$  vs  $\pounds 1,073,100.00 = \text{OK}$

'LSA' Check:  $\pounds 90,345.15$  vs  $\pounds 268,275.00 = \text{OK}$

### Residual Pension

Member:  $\pounds 17,171.37 - (\pounds 90,345.15 / 24.96 = \pounds 3,619.60) = \underline{\pounds 13,551.77 \text{ pa}}$

Spouse (payable on death):  $\pounds 17,171.37 \times 50\% = \underline{\pounds 8,585.69 \text{ pa}}$

## Summary Answer

### *Option 1 – Pension Only*

A full pension of **£17,171.37 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*).

A spouse's pension of **£8,585.69 per annum**.

OR

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

A tax-free cash sum of **£90,345.15** plus a residual pension of **£13,551.77 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*). The tax-free cash sum of **£90,345.15** 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 **£8,585.69 per annum**.