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

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| **LORNA BAYI – CATEGORY A**  Date of birth: | 21/05/1963 |
| Date of joining scheme: | 13/06/1995 |
| Date of retirement: | 06/09/2020 |
| Age at date of retirement: | 57 years & 3 months |
| Normal pension age: | 65 |
| Type of retirement: | Ill health early retirement |
| Pre-1997 pens’able service - [70ths]: | 1 year & 297 days [13/06/1995-05/04/1997] |
| Post-1997 pens’able service - [70ths]: | 23 years & 154 days [06/04/1997-06/09/2020] |
| Post-1988 GMP @ DOR: | £504.40 |
| Commutation factor: | 15.66 (age 57yrs & 3mths) |
|  | *15.72 – [3/12 x 0.24 = 0.06]* |
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Final pensionable salary is the greater of the following:

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

2016 = £62,475.00

2017 = £66,000.00

2018 = £68,300.00

2019 = **£72,500.00**

2020 = £71,400.00

# Option 1 – Full Pension

Member: 1 + (297/365) / 70 x £72,500.00 = £1,878.47 pa

23 + (154/365) / 70 x £72,500.00 = £24,258.41 pa

**£26,136.88 pa**

Spouse: £26,136.88 x 50% = £13,068.44 pa

**GMP Check:**

Pre-1997 pension v GMP: £1,878.47 v £504.40 => ok

OR

Total v post-1997 pension + GMP: £26,136.88 v (24,258.41 + £504.40 = £24,762.81) => ok

***Lifetime Allowance Check:*** £26,136.88 x 20 x 100 / £1,073,100.00 = **48.71%**

*48.71% is within the member’s LTA balance of 100.00%*

**OR**

# Option 2 – Pension Commencement Lump Sum and Residual Pension Lump Sum:

£26,136.88 x 20 / [3 + (20 / 15.66)] = **£122,216.64**

***Lifetime Allowance Check:*** £122,216.64 x 100 / £1,073,100.00 = **11.38%**

**Residual Pension:**

£26,136.88 – (£122,216.64 / 15.66 = £7,804.38) = **£18,332.50 pa**

Spouse: £26,136.88 x 50% = £13,068.44 pa

**GMP Check:**

£18,332.50 pa is greater than GMP of £504.40 pa (therefore no lump sum restriction required)

***Lifetime Allowance Check:*** £18,332.50 x 20 x 100 / £1,073,100 = **34.16%**

Total Lifetime Allowance for Option 2 = 11.38 + 34.16 = **45.54%**

*45.54% is within the member’s LTA balance of 100.00%*

**Summary Answer**

*Option 1 – Pension Only*

A full pension of **£26,136.88** per annum (including an excess element of **£25,632.48** per annum and a post-1988 GMP of **£504.40** per annum) which increases at the lower of RPI and 5.0% up to GMP due date (age 60). From that date, the post-1988 GMP will increase by the lower of CPI and 3.0% and the balance will increase by the lower of RPI and 5.0%. LTA used is **48.71%**, which is within the percentage LTA remaining of 100.00%.

A spouse’s pension of **£13,068.44** per annum

OR

*Option 2 – Pension Commencement Lump Sum & Residual Pension*

A pension commencement lump sum of **£122,216.64** plus a residual pension of **£18,332.50** per annum (including an excess element of **£17,828.10** per annum and a post-1988 GMP of **£504.40** per annum) which increases at the lower of RPI and 5.0% up to GMP due date (age 60). From that date, the post-1988 GMP will increase by the lower of CPI and 3.0% and the balance will increase by the lower of RPI and 5.0%. LTA used is **11.38%** for the pension commencement lump sum and **34.16%** for the residual pension [total LTA = **45.54%**], which is within the percentage LTA remaining of 100.00%.

A spouse’s pension of **£13,068.44** per annum