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

# SAMUEL WARK

Date of birth: 20/06/1965

Date of retirement: 03/09/2020

Age at date of retirement: 55 years & 2 months

Normal pension age: 65

Type of retirement: Ill health retirement

Spouse’s date of birth: 18/10/1964 (spouse < 10 years younger)

Pre 6 April 2006 CARE pension @ 5 April 2020: £3,125.24

Post 5 April 2006 CARE pension @ 5 April 2020: £4,579.06

Pro-rata CPI: 1.60%

Pensionable Earnings figure from 6 April 2020: £56,083.33 [(£52,000+£55,000+£61,250) / 3] Final Scheme Year Pensionable Service to NPD: 10yrs & 2mths (06/04/2020-20/06/2030) Contractual Salary: £62,679.35

Underpin - Total Service to NPD: 30yrs & 2mths (06/04/2000-20/06/2030)

Underpin - Pre ’06 Service: 06yrs & 0mths (06/04/2000-05/04/2006)

Underpin - Post ’06 Service to NPD: 24yrs & 2mths (06/04/2006- 20/06/2030)

S/Life AVC pension (payable immediately): £ 1,299.66

J/Life AVC pension (payable immediately): £ 1,105.60

Current value of AVC fund: £25,213.45

Commutation Factor: 16.16 (Age 55yrs & 2mths)

*[16.20 – (0.24 x 2/12 = 0.04) = 16.16]*

# CARE Pension Member Spouse (40%)

Pre 6 April 2006 CARE pension: £ 3,125.24 Pro-rata CPI increase: £3,125.24 x 1.60% = £ 50.00

Total £ 3,175.24 pa £1,270.10 pa

Post 5 April 2006 CARE pension: £ 4,579.06 Pro-rata CPI increase: £4,579.06 x 1.60% = £ 73.26

Final Scheme Year Pension to NPD: £56,083.33 x 102/12 x 1/80 = £ 7,127.26

Total £ 11,779.58 pa £4,711.83 pa

# Total CARE Pension:

£3,175.24 + £11,779.58 = **£ 14,954.82 pa £5,981.93 pa**

# Final Salary Underpin

Underpin - Pre ’06: £62,679.35 x 6 x 1/100 = £ 3,760.76 pa

Underpin - Post ’06 £62,679.35 x 242/12 x 1/100 = £ 15,147.51 pa

# Total Underpin Pension:

£3,760.76 + £15,147.51 = **£ 18,908.27 pa**

Spouse’s Pension = £7,563.31 pa (Pre ’06 = £1,504.30 pa & Post ’06 = £6,059.01 pa)

**Total Underpin Pension (excluding AVCs) of £18,908.27 pa exceeds Total CARE Pension of**

# £14,954.82 pa (excluding AVCs)!

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| **Option 1 – Full Pension (including single life AVC)**  Underpin pension: | **Member**  £18,908.27 | **Spouse** (40%)  £7,563.31 |
| Plus single life AVC pension:  Total pension: | £ 1,299.66  **£20,207.93 pa** | £ 0.00  **£7,563.31 pa** |

***Lifetime Allowance Check*:** £20,207.93 x 20 x 100 / £1,073,100.00 = **37.66%**

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| *37.66% is within the member’s LTA balance of 100.00%* |  | |
| **OR** |
| **Option 1 – Full Pension (including joint life AVC)** | **Member** | **Spouse** (40%) |
| Underpin pension: | £18,908.27 | £7,563.31 |
| Plus joint life AVC pension:  Total pension: | £ 1,105.60  **£20,013.87 pa** | £ 442.24  **£8,005.55 pa** |

***Lifetime Allowance Check*:** £20,013.87 x 20 x 100 / £1,073,100.00 = **37.30%** *37.30% is within the member’s LTA balance of 100.00%*

# Option 2 – Pension Commencement Lump Sum & Residual Pension

# Lump Sum

20 x £18,908.27 / [3 + (20 / 16.16)] = £ 89,239.97

Plus 25% of current value of AVC fund (£25,213.45 x 25%) = £ 6,303.36

Total **£ 95,543.33**

***Lifetime Allowance Check*:** £95,543.33 x 100 / £1,073,100.00 = **8.90%**

# Residual Pension

£18,908.27 – ([£95,543.33 - £25,213.45] / 16.16 = £4,352.10) = **£ 14,556.17 pa**

Pre 6 April 2006 = £ 3,760.76 pa

Post 5 April 2006 = £ 10,795.41 pa

Spouse’s Pension unchanged @ £7,563.31 pa (Pre ’06 = £1,504.30 pa & Post ’06 = £6,059.01 pa)

***Lifetime Allowance Check*:** £14,556.17 x 20 x 100 / £1,073,100.00 = **27.12%**

Total Lifetime Allowance for Option 2 = 8.90 + 27.12 = **36.02%**

*36.02% is within the member’s LTA balance of 100.00%*

# Summary Answer

*Option 1A – Pension Only (AVCs single life)*

A full Underpin pension of **£20,207.93** per annum, of which **£3,760.76** per annum increases at the lower of RPI and 5.0% (pre-2006), **£15,147.51** per annum increases at the lower of RPI and 2.5% (post-2006) and **£1,299.66** per annum increases at the lower of RPI and 2.5% (S/life AVCs). LTA used is **37.66%**, which is within the percentage LTA remaining of 100.00%.

A spouse’s Underpin pension of **£7,563.31** per annum, of which **£1,504.30** per annum increases at the lower of RPI and 5.0% (pre-2006) and **£6,059.01** per annum increases at the lower of RPI and 2.5% (post-2006).

OR

*Option 1B – Pension Only (AVCs joint life)*

A full Underpin pension of **£20,013.87** per annum, of which **£3,760.76** per annum increases at the lower of RPI and 5.0% (pre-2006), **£15,147.51** per annum increases at the lower of RPI and 2.5% (post-2006) and **£1,105.60** per annum increases at the lower of RPI and 2.5% (J/life AVCs). LTA used is **37.30%**, which is within the percentage LTA remaining of 100.00%.

A spouse’s Underpin pension of **£8,005.55** per annum, of which **£1,504.30** per annum increases at the lower of RPI and 5.0% (pre-2006), **£6,059.01** per annum increases at the lower of RPI and 2.5% (post-2006) and **£442.24** per annum increases at the lower of RPI and 2.5% (J/life AVCs).

OR

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

A pension commencement lump sum of **£95,543.33** (inclusive of the current value of the member’s AVC fund of **£25,213.45**) plus a residual Underpin pension of **£14,556.17** per annum, of which **£3,760.76** per annum increases at the lower of RPI and 5.0% (pre-2006) and **£10,795.41** per annum increases at the lower of RPI and 2.5% (post-2006). LTA used is **8.90%** for the pension commencement lump sum and **27.08%** for the residual pension [total LTA = **36.02%**], which is within the percentage LTA remaining of 100.00%.

A spouse’s Underpin pension of **£7,563.31** per annum, of which **£1,504.30** per annum increases at the lower of RPI and 5.0% (pre-2006) and **£6,059.01** per annum increases at the lower of RPI and 2.5% (post-2006).

**Note**

If Samuel Wark wishes to take his AVCs flexibly outside of the RST Scheme, he can transfer them to a suitable alternative arrangement that is willing and able to accept them.