

Case Study:
Scenario five



Megan

In 2015 Megan was a protected member with a Normal Pension Age of 60 in the final salary scheme.

Questions

When did Megan start teaching?

Megan started full-time teaching at the age of 22 on 1 April 1982 and in 2012 she was 52.

What happened to Megan when the changes were introduced in 2015?

Megan received transitional protection and was therefore a protected member who remained in the final salary (legacy) scheme on 1 April 2015, with a Normal Pension Age of 60.

Has Megan paid into her pension to increase her benefits?

No, she didn't take any of the flexibilities that were available to her.

When did Megan retire?

- Megan retired on 1 April 2020 at the age of 60
- Her average salary at the time of her retirement was £44,163.23.

What does Megan's pension look like and what should she consider?

Megan's pension can be broken down into two parts (A and B), but only one of these is within the remedy period, which means she has a choice to make as to whether this will be in either the career average (reformed) or final salary (legacy) scheme.

- See breakdown opposite.

Remedies

Part A

Pre-remedy period

Dates:
1 April 1982 – 31 March 2015
Scheme:
Final salary (legacy)

33 years' service =

Pension of £18,217.33

+ automatic lump sum of £54,652.00

Part B

Remedy period

Dates:
1 April 2015 – 31 March 2020
Scheme:
Choice of two schemes

Choice 1: Take as 'final salary' (legacy) scheme

5 years' service =

Pension of £2,760.20

+ automatic lump sum of £8,280.61

Choice 2: Take as 'career average' (reformed) scheme (NPA of 66)*

5 years' service =

Pension of £3,122.80

+ no automatic lump sum £0.00

Note:
See full breakdown on the following page.

Note: Pension amounts include adjustments for Early Retirement, where appropriate.

Megan's choices

Part B

Remedy period

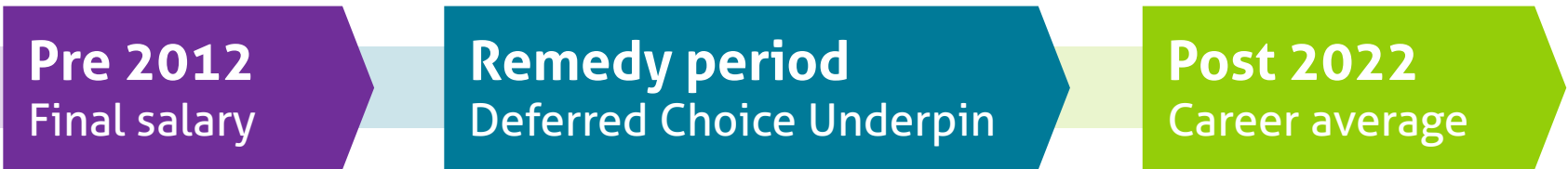
Dates:
1 April 2015 – 31 March 2020
Scheme:
Choice of two schemes



Choice 1		Choice 2	
Remedy period from final salary (legacy) scheme		Remedy period from career average (reform) scheme	
Total Pension £20,977.53	Total Automatic Lump Sum £62,932.60	Total Pension £21,340.13	Total Automatic Lump Sum £54,652.00
How's it made up?		How's it made up?	
Final salary (legacy) up to 31/03/2015		Final salary (legacy) up to 31/03/2015	
£18,217.33	£54,652.00	£18,217.33	£54,652.00
Remedy period (01/04/2015 - 31/03/2020)		Remedy period (01/04/2015 - 31/03/2020)	
£2,760.20	£8,280.61	£3,122.80	n/a

Please note:

- The above table shows the basic choices, before any additional lump sum choices have been made
- Pension amounts include adjustments for Early Retirement, where appropriate.



What to consider

When deciding what is the best option for herself and the lifestyle she wants, Megan should also consider what balance she wants between the pension she receives each year, and the amount of lump sum she would like to take.

As she has already retired, her previous lump sum choices made in respect of her final salary service will remain the same. However, if she chooses Choice 2 (career average) for the remedy period she can convert some of her remedy period pension to a lump sum (£1 x12). This is because she hadn't previously had the option of converting career average service.

If she decided to pick Choice 1 (final salary) for the remedy period her pension would be £20,977.53 with an automatic lump sum of £62,932.61.

If she decided to pick Choice 2 Megan can choose to convert her career average pension. As mentioned above, she is unable to make any changes to the final salary service in this choice (service accrued up to 31 March 2015).

By choosing to convert £362.59 Megan would receive an annual pension of £20,977.53, an automatic lump sum of £54,652.00 and a commuted lump sum of £4,351.13 giving her a total lump sum of £59,003.13.

Please note: Depending on the choice Megan makes, part of the lump sum she received in 2020 may need to be repaid.