

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 does Megan want to 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

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

Pre 2012

Final salary

Remedy period

Deferred Choice Underpin

Post 2022

Career average

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. Under both options she can convert some of her pension to a lump sum (£1 x 12).



To help Megan work this out she could use our **Estimate your final pension calculator** or seek independent advice.

In Megan's case, if she were to convert only £362.59 of her pension, (which would still give her the same amount of pension each year as Choice 1), it would give her a larger lump sum than in Choice 2, but still not as large as the lump sum in Choice 1.

This would give Megan a reduced 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**.