

Case Study:
Scenario one



Holly

In 2015 Holly was a transition member with a Normal Pension Age of 60 in the final salary section.

Questions

When did Holly start teaching?

Holly started full-time teaching at the age of 22 on 1 April 1990 and in 2012 she was 44.

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

Holly was a transition member and moved into the career average (reformed) scheme on 1 April, with a Normal Pension Age of 67. Her previous service up to 31 March 2015 remained in the final salary scheme with its NPA of 60.

Has Holly paid into her pension to increase her benefits?

No, she has not taken any of the flexibilities that were available to her.

When does Holly want to retire?

- Holly wants to retire on 1 April 2033 at the age of 65
- Her average salary at her chosen retirement date will be £38,047.25.

What does Holly’s pension look like and what should she consider?

Holly’s pension can be broken down into three parts (A,B and C), 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 1990 – 31 March 2015
Scheme:
Final salary (legacy)

25 years’ service =

Pension of £11,889.77

+ automatic lump sum of £35,669.30

Part B

Remedy period

Dates:
1 April 2015 – 31 March 2022
Scheme:
Choice of two schemes

Choice 1: Take as ‘final salary’ (legacy) scheme

7 years’ service =

Pension of £3,329.13

+ automatic lump sum of £9,987.40

Choice 2: Take as ‘career average’ (reformed) scheme

7 years’ service =

Pension of £4,756.78

+ no automatic lump sum £0.00

Note:
See full breakdown on the following page.

Part C

Post-remedy period

Dates:
1 April 2022 – 31 March 2033
Scheme:
Career average (reformed)

11 years’ career average =

Pension of £6876.44

+ no automatic lump sum £0.00

Holly's choices

Part B

Remedy period

Dates:
1 April 2015 – 31 March 2022
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 £22,095.35	Total Automatic Lump Sum £45,656.70	Total Pension £23,522.99	Total Automatic Lump Sum £35,669.30
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	
£11,889.77	£35,669.30	£11,889.77	£35,669.30
Remedy period (01/04/2015 - 31/03/2022)		Remedy period (01/04/2015 - 31/03/2022)	
£3,329.13	£9,987.40	£4,756.78	n/a
Career average (reformed) post 01/04/2022		Career average (reformed) post 01/04/2022	
£6,876.44	n/a	£6,876.44	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 on what is the best option for herself and the lifestyle she wants, Holly 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 Holly work this out she could use our **Estimate your final pension calculator** or seek independent advice.

In Holly's case, if she were to select Choice 2 and convert £1,427.65 of her pension, which would still give her the same amount of pension as Choice 1, it would give her a lump sum of £17,131.78 which she would receive on top of her automatic lump sum.

This would give Holly a reduced annual pension of **£22,095.35**, an automatic lump sum of **£35,669.30** and a commuted lump sum of **£17,131.78**, giving her a total lump sum of **£52,801.08**.