

Case Study: Scenario three



Jake

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

Questions

When did Jake start teaching?
Jake started full-time teaching at the age of 22 on 1 April 1990 and in 2012 he was 44.

What happened to Jake when the changes were introduced in 2015?
Jake was a transition member and moved into the career average (reformed) scheme on 1 April 2015, with a Normal Pension Age of 67. His previous service up to 31 March 2015 remained in the final salary scheme with the NPA of 60.

Has Jake paid into his pension to increase his benefits?
No, he has not taken any of the flexibilities that were available to him.

When does Jake want to retire?
- Jake wants to retire on 1 April 2028 at the age of 60
- His average salary at his chosen retirement date will be £34,460.57.

What does Jake's pension look like and what should he consider?
Jake'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 he 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 £10,768.93
+ automatic lump sum of £32,306.78

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 £3,015.30
+ automatic lump sum of £9,045.90

Choice 2: Take as 'career average' (reformed) scheme
7 years' service =
Pension of £3,705.53
+ no automatic lump sum £0.00

Note:
See full breakdown on the following page.

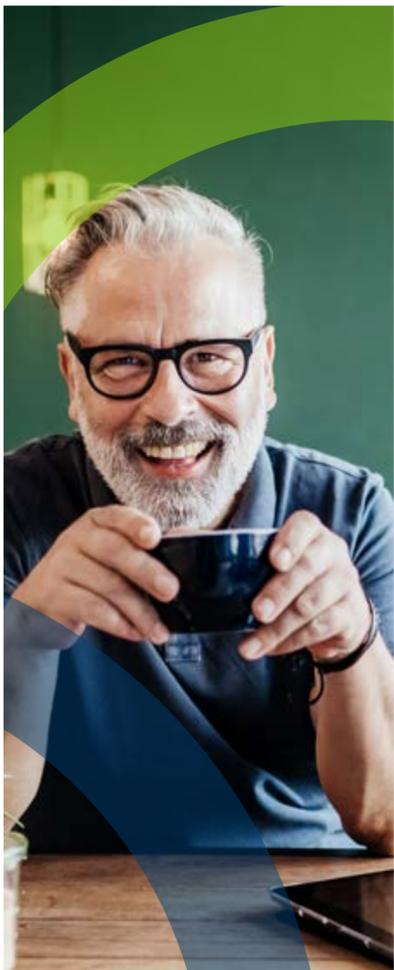
Part C
Post-remedy period
Dates: 1 April 2022 – 31 March 2028
Scheme: Career average (reformed)
6 years' career average =
Pension of £2,893.14
+ no automatic lump sum £0.00

Jake'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 £16,677.37	Total Automatic Lump Sum £41,352.68	Total Pension £17,367.61	Total Automatic Lump Sum £32,306.78
How's it made up?		How's it made up?	
Final salary (legacy) up to 31/03/2015 £10,768.93	£32,306.78	Final salary (legacy) up to 31/03/2015 £10,768.93	£32,306.78
Remedy period (01/04/2015 - 31/03/2022) £3,015.30	£9,045.90	Remedy period (01/04/2015 - 31/03/2022) £3,705.33	n/a
Career average (reformed) post 01/04/2022 £2,893.14	n/a	Career average (reformed) post 01/04/2022 £2,893.14	n/a

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



What to consider

When deciding on what is the best option for him and the lifestyle he wants, Jake should also consider what balance he wants between the pension he receives each year, and the amount of lump sum he would like to take. Under both options he can convert some of his pension to a lump sum (£1 x 12).



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

In Jake's case if he were to convert only £690.23 of his pension, (which would still give him the same amount of pension each year as Choice 1), it would give a larger lump sum than Choice 2, but not as high as the automatic lump sum available under Choice 1.

This would give Jake a reduced annual pension of **£16,677.37**, an automatic lump sum of **£32,306.78** and a commuted lump sum of **£8,282.82** giving him a total lump sum of **£40,589.60**.