# 3 Examples for proposed method (values illustrative only)

Member retiring from active service after age 65

Consider a male member, whose 65th birthday falls on 30 May 2016.

The member decides to remain as an active member and retire on 30 September 2019, with his last day of service being 29 September 2019. His period worked after NPA includes the date at which new factors came into force on 1 April 2019.

The period from (and including) his 65th birthday to retirement is 3 years 123 days. The period from (and including) his 65th birthday to 31 March 2019 is 2 years and 306 days. *The period from (and including) 1 April 2019 to 29 September 2019 is 182 days.*

Member's benefits at 30 September 2019 before late retirement additions:

| | |
|---|---|
| Pension | £18,000.00 pa |
| Retirement Grant | £50,000.00 |

| | Pension | Retirement grant |
|---|---|---|
| *Factors in force prior to 1 April 2019* | | |
| Late retirement factor per day | 0.010% | 0.001% |
| *Factors in force from 1 April 2019* | | |
| Late retirement factor for 2 years | 7.2% | 0.6% |
| Late retirement factor for 3 years | 11.3% | 0.9% |
| Late retirement factor for 4 years | 15.7% | 1.2% |

The late retirement increases should be calculated as:

Pension:

Up to 31 March 2019

(365 + 365 + 306) x 0.010% = 10.36%

From 1 April 2019

(a) Interpolate for the period between their 65th birthday and retirement i.e. 3 years 123 days:

100%+123 / 365 x 15.7% + 242 / 365 x 11.3% = 112.78%

(b) Interpolate for the period between their 65th birthday and 1 April 2019 i.e. 2 years and 306 days: 100%+306 / 365 x 11.3% + 59 / 365 x 7.2% = 110.64%

Total Pension increase:

(100% + 10.36%) x 112.78% ÷ 110.64% = 112.5%

Retirement grant:

Up to 31 March 2019

(365 + 365 + 306) x 0.001% = 1.04%

From 1 April 2019

(a) Interpolate for the period between their 65th birthday and retirement i.e. 3 years 123 days:

100%+123 / 365 x 1.2% + 242 / 365 x 0.9% = 101.00%

(b) Interpolate for the period between their 65th birthday and 1 April 2019 i.e. 2 years and 306 days: 100%+306 / 365 x 0.9% + 59 / 365 x 0.6% = 100.85%

Total Retirement grant increase:

(100% + 1.04%) x 101.00% ÷ 100.85% = 101.2%

The benefits payable from 30 September 2019 are:

| | | |
|---|---|---|
| Member's pension: | 18,000.00 x 1.125 | = £20,249.00 pa |
| Retirement grant: | 50,000.00 x 1.012 | = £50,600.00 |

The member could decide to commute part of his pension into an additional lump sum.

## Appendix A: Factors (values illustrative only)

| *Years late* | *Pension Increase (%)* | *Retirement Grant Increase (%)* |
|---|---|---|
| 0 | 0.0% | 0.0% |
| 1 | 3.5% | 0.3% |
| 2 | 7.2% | 0.6% |
| 3 | 11.3% | 0.9% |
| 4 | 15.7% | 1.2% |
| 5 | 20.5% | 1.5% |
| 6 | 25.7% | 1.8% |
| 7 | 31.3% | 2.1% |
| 8 | 37.4% | 2.4% |
| 9 | 44.1% | 2.7% |
| 10 | 51.2% | 3.0% |

Notes:

(1) Where the member's 'Age at Retirement' is not an integer number, the factors from the table should be interpolated for part years.

(2) Subject to paragraph 2.3, the above factors should be applied separately for pre-1 April 2015 benefits (by reference to age 65, regardless of whether the member has a right to retire with an unreduced pension before the age of 65), and to post-1 April 2015 benefits (by reference to Normal Pension Age).

## Appendix B: Limitations

B.1 This note should not be used for any calculation of member benefits as it is an illustration of GAD proposals for implementing changes to late retirement factors