

THE LPO IN ACTION: SOME EXAMPLES FOR MEMBERS

This leaflet accompanies the **Level Pension Option guide** and includes some examples to show how this option might be applied to members in different sections of the Scheme. Please note the figures shown are for illustrative purposes only.

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WPS SECTION

Ted retires at age 60 and seven years before his State Pension age of 67. The maximum increase which Ted can have under this option is £7,100 a year up to his State Pension age.

Ted's Scheme pension for life without exercising this option is: **£10,000 a year**

If Ted opts for the maximum allowed with this option, his Scheme pension increases to: **£17,100 a year**

This is worked out as his initial pension of £10,000 a year plus the State Pension amount of £10,600 a year, less £3,500 a year of lifetime pension that Ted has to give up for the higher starting pension.*

He opts to take the maximum cash sum of £87,000 (which is approximately 70% more than his cash sum would be if he didn't exercise the LPO). This reduces his pension to: **£13,000 a year**

From State Pension age, Ted's Scheme pension is reduced by £10,600 a year to £2,400. This is a permanent reduction for the rest of Ted's life. However, remember that when this reduction is made to Ted's Scheme pension, his State Pension will come into payment.

* Full new State Pension payable from April 2023

Assuming his Scheme pension receives inflationary increases of 3% a year over the seven years to Ted's State Pension age, then his figures would be:

- Scheme pension just before State Pension age: £15,700 a year (£13,000 without inflation)
- Amount of reduction from State Pension age: £12,800 a year (£10,600 without inflation)
- Scheme pension from State Pension age: £2,900 a year (£2,400 without inflation)



WPS SECTION

In summary

	If Ted <i>does not</i> exercise this option	If Ted <i>does</i> exercise this option
Scheme pension at age 60 before maximum cash sum	£10,000 a year	£17,100 a year
Maximum cash sum	£51,000	£87,000
Scheme pension at age 60 after exchanging some of his pension for a maximum cash sum	£7,600 a year	£13,000 a year
Scheme pension by age 67 (allowing for inflation)	£9,200 a year	£15,700 a year
Reduction to Scheme pension from Ted's State Pension age (allowing for inflation)	£0 (no reduction applies)	£12,800 a year (for the rest of Ted's life)*
Scheme pension from Ted's State Pension age (allowing for inflation)	£9,200 a year	£2,900 a year

* Remember that when this reduction is made to Ted's Scheme pension, his State Pension will come into payment.

This page shows an example only. Figures will vary depending on a number of factors including your State Pension entitlement, Scheme membership and the factors in place when you retire. It is important to note that the rate of increase in the State Pension will be different from the rate of increase in your Scheme pension.



NW SECTION

Ted retires at age 60 and seven years before his State Pension age of 67. The maximum increase which Ted can have under this option is £7,000 a year up to his State Pension age.

Ted's Scheme pension for life without exercising this option is: **£7,500 a year**

If Ted opts for the maximum allowed with this option, his Scheme pension increases to: **£14,500 a year**

This is worked out as his initial pension of £7,500 a year plus the State Pension amount of £10,600 a year, less £3,600 a year of lifetime pension that Ted has to give up for the higher starting pension.*

He opts to take the maximum cash sum of £79,000 (which is approximately 80% more than his cash sum would be if he didn't exercise the LPO). This reduces his pension to: **£11,800 a year**

From State Pension age, Ted's Scheme pension is reduced by £10,600 a year to £1,200. This is a permanent reduction for the rest of Ted's life. However, remember that when this reduction is made to Ted's Scheme pension, his State Pension will come into payment.

* Full new State Pension payable from April 2023

Assuming his Scheme pension receives inflationary increases of 3% a year over the seven years to Ted's State Pension age, then his figures would be:

- Scheme pension just before State Pension age: £14,300 a year (£11,800 without inflation)
- Amount of reduction from State Pension age: £12,800 a year (£10,600 without inflation)
- Scheme pension from State Pension age: £1,500 a year (£1,200 without inflation)



NW SECTION

In summary

	If Ted <i>does not</i> exercise this option	If Ted <i>does</i> exercise this option
Scheme pension at age 60 before maximum cash sum	£7,500 a year	£14,500 a year
Scheme lump sum	£22,500	£22,500
Maximum cash sum	£43,000	£79,000
Scheme pension at age 60 after exchanging some of his pension for a maximum cash sum	£6,500 a year	£11,800 a year
Scheme pension by age 67 (allowing for inflation)	£7,900 a year	£14,300 a year
Reduction to Scheme pension from Ted's State Pension age (allowing for inflation)	£0 (no reduction applies)	£12,800 a year (for the rest of Ted's life)*
Scheme pension from Ted's State Pension age (allowing for inflation)	£7,900 a year	£1,500 a year

* Remember that when this reduction is made to Ted's Scheme pension, his State Pension will come into payment.

This page shows an example only. Figures will vary depending on a number of factors including your State Pension entitlement, Scheme membership and the factors in place when you retire. It is important to note that the rate of increase in the State Pension will be different from the rate of increase in your Scheme pension.

