Example of flexible retirement

Scenario

Employee is a member of USS. The calculation method outlined applies equally to members of OSPS.

Employee elects, and department agrees, to:

- step down to 80% working at age 59 for two years,
- then to step down to 50% from age 61 for one year,
- retiring fully at age 62.

Employee’s FTE salary is £40,000 pa.
- For ease of calculation inflation, and hence any general pay award, is ignored.

Employee has 30 years pensionable service with USS to the first flex
- 25 years prior to 1st October 2011; 5 years after 30th September 2011
- No AVCs, and
- No transfer-in

Employee elects to take:
- 50% benefits at first step
- An additional 30% benefits at second step

Results: (detailed calculations overleaf)

<table>
<thead>
<tr>
<th>Age</th>
<th>58</th>
<th>59</th>
<th>60</th>
<th>61</th>
<th>62</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary £pa</td>
<td>40,000.00</td>
<td>32,000.00</td>
<td>32,000.00</td>
<td>20,000.00</td>
<td>Nil</td>
</tr>
<tr>
<td>Pension £pa</td>
<td>0.00</td>
<td>6,900.00</td>
<td>6,900.00</td>
<td>11,470.71</td>
<td>15,106.48</td>
</tr>
<tr>
<td>Total income</td>
<td>40,000.00</td>
<td>38,900.00</td>
<td>38,900.00</td>
<td>31,470.71</td>
<td>15,106.48</td>
</tr>
<tr>
<td>Tax free cash</td>
<td>0.00</td>
<td>20,700.00</td>
<td>0.00</td>
<td>13,712.13</td>
<td>10,907.31</td>
</tr>
</tbody>
</table>

Total income over 25 years from age 59:
- On the above flexible example:
  - total income = £444,613.27
  - Total tax free cash = £45,319.44
- If retired fully at age 59:
  - total income = £345,000.00
  - Total tax free cash = £41,400.00
- If no flex, retired fully at 62:
  - total income = £471,296.00
  - Total tax free cash = £47,904.00
Detailed Calculations

- Flexible Retirement Benefits payable from age 59 are:
  - Pre-2011 accrued pension at age 59 = £40,000 x 25 / 80 = £12,500 pa
  - Post-2011 accrued pension at age 59 - £40,000 x 5 / 80 = £2,500 pa
  - First step selected % = 50%
  - Pre-2011 EPRF at age 59 = 0.952
  - Post-2011 EPRF at age 59 = 0.76
  - Pension payable = £12,500 x 50% x 0.952 +£2,500 x 50% x 0.76 = £6,900 pa
  - Retirement tax free cash = £6,900 x 3 = £20,700.
  - Salary paid = £40,000 x 80% = £32,000 pa
  - Salary + pension = £38,900 pa (97.3% of FTE salary)

- Flexible Retirement Benefits payable from age 61 are:
  - Salary reduces to £20,000 pa
  - Pension in payment = £6,900 pa
  - Second step selected % = 30% (i.e. 80% - 50%)
  - Pre-2011 EPRF at age 61 = 1.000
  - Post-2011 EPRF at age 61 = 0.829
  - Addition from Pre-2011 accrued pension is:
    £12,500 x 30% x 1.000 = £3,750 pa.
  - Addition from Post-2011 accrued pension is:
    £2,500 x 30% x 0.829 = £621.75 pa.
  - Addition from service from age 59 to age 61 at 80% is:
    £40,000 x 80% x 2 years / 80 x 30% x 0.829 = £198.96 pa
  - Total additional pension = £3,750 + £621.75 + £198.96 = £4,570.71 pa
  - Total pension payable from 61 = £6,900 + £4,570.71 = £11,470.71 pa
  - Total additional cash payable = £4,570.71 x 3 = £13,712.13
  - Salary + pension = £31,470.71 pa (78.7% of FTE salary)

- Full Retirement Benefits payable from age 62 are:
  - Salary reduces to £nil pa
  - Pension in payment = £11,470.71 pa
  - Unflexed share:
    - to age 59 – 20%
    - to age 61 – 70%
    - to age 62 – 100%
  - Pre-2011 EPRF at age 62 = 1.000
  - Post-2011 EPRF at age 62 = 0.867
  - Addition from Pre-2011 accrued pension is:
    £12,500 x 20% x 1.000 = £2,500 pa.
- Addition from Post-2011 accrued pension is:
  £2,500 x 20% x 0.867 = £433.50 pa.
- Addition from service from age 59 to age 61 is:
  £40,000 x 80% x 2 years / 80 x 70% x 0.867 = £485.52 pa.
- Addition from service from age 61 to age 62 at 50% is:
  £40,000 x 50% x 1 year / 80 x 0.867 = £216.75 pa
- Total additional pension = £2,500 + £433.50 + £485.52 + £216.75 = £3,635.77 pa
  Total pension from 62 = £11,470.71 + £3,635.77 = £15,106.48 pa
  Total additional cash payable = £3,635.77 x 3 = £10,907.31
- Salary + pension = £15,106.48 pa (37.77% of FTE salary)