# WORKED ANSWER OPQ PLAN ACT => RET (EARLY)

# JANE WILSON

Date of birth: 07/07/1964

Date of retirement: 03/09/2020

Age at date of retirement: 56 years & 1 month

Normal retirement age: 67 (= SPA, as later than age 65)

Normal retirement date: 07/07/2031 (= SPA, as later than age 65)

Type of retirement: Early retirement

Lifestyle Fund: N/A

Target retirement date: N/A

Quotes required (1): 15% of fund as tax-free lump sum plus single life annuity options for non-increasing and increasing annually at the lower of RPI/3.0% *OR* no tax-free lump sum plus single life annuity options for non-increasing and increasing annually at the lower of RPI/3.0%

Quotes required (2): Uncrystallised Funds Pension Lump Sum (UFPLS)

Annuity factors: Single life (age 56yrs & 1mth, non-increasing) = 6.81

[6.80 + (1/12 x 0.16) = 6.81]

Single life (age 56yrs & 1mth, increasing annually at the lower of RPI/3.0%) = 5.06

[5.05 + (1/12 x 0.16) = 5.06]

# Member’s normal contributions unit holdings:

|  |  |  |
| --- | --- | --- |
| Index Linked Bond Fund | 9,400.2236 x £1.486 = | £13,968.73 |
| Corporate Bond Fund | 13,567.3240 x £2.734 = | £37,093.06 |
| Total |  | **£51,061.79** |

**Employer’s normal contributions unit holdings:**

|  |  |  |
| --- | --- | --- |
| Index Linked Bond Fund | 15,040.3578 x £1.486 = | £22,349.97 |
| Corporate Bond Fund | 21,707.7184 x £2.734 = | £59,348.90 |
| Total |  | **£81,698.87** |

|  |  |  |
| --- | --- | --- |
| **Augmentation:** |  |  |
| No Fund (value to be added to PRA) |  | £4,000.00 890.65 |
| Total |  | **£4,000.00** |

**Total Personal Retirement Account:**

£51,061.79 + £81,698.87 + £4,000.00 (Augmentation) = **£136,760.66**

**NO Tax-free lump sum:** £136,760.66 x 0% = **£0.00**

**Balance of fund:** £136,760.66 - £0.00 = **£136,760.66 Annuity Bureau charge:** £136,760.66 x 0.05% = £68.38

**£68.38** charge applies (as exceeds minimum of £60.00)

**Amount left to purchase an annuity:** £136,760.66 - £68.38 = **£136,692.28**

**Single life annuity (non-increasing):**

|  |  |  |
| --- | --- | --- |
| **Member:** | £136,692.28 / 100 x 6.81 = | **£9,308.74 pa** |
| **Spouse:** | N/A |  |

**Single life annuity (increasing annually at the lower of RPI/3.0%):**

|  |  |  |
| --- | --- | --- |
| **Member:** | £136,692.28 / 100 x 5.06 = | **£6,916.63 pa** |
| **Spouse:** | N/A |  |
| ***Lifetime Allowance Check*:** |  |  |
| Annuity purchase | £136,760.66 x 100 / 1,073,100.00 = | **12.74%** |
|  |  |  |

**12.74% is within the member’s LTA balance of 100.00%**

**YES Tax-free lump sum:** £136,760.66 x 15% = **£ 20,514.10**

**Balance of fund:** £136,760.66 - £20,514.10 = **£116,246.56 Annuity Bureau charge:** £116,246.56 x 0.05% = £58.12

**£60.00** charge applies (as exceeds £58.12)

**Amount left to purchase an annuity:** £116,246.56 - £60.00 = **£116,186.56**

**Single life annuity (non-increasing):**

**Member:** £116,186.56 / 100 x 6.81 = **£7,912.30 pa**

# Single life annuity (increasing annually at the lower of RPI/3.0%):

|  |  |  |
| --- | --- | --- |
| **Member:** | £116,186.56 / 100 x 5.06 = | **£5,879.04 pa** |
| ***Lifetime Allowance Check*:** |  |  |
| Tax-free lump sum | £20,514.10 x 100 / 1,073,100.00 = | **1.91%** |
| Annuity purchase | £116,246.56 x 100 / 1,073,100.00 = | **10.83%** |
| Total |  | **12.74%** |

**12.74% is within the member’s LTA balance of 100.00%**

**UFPLS:**

|  |  |  |
| --- | --- | --- |
| **Tax-free amount:** | £136,760.66 x 25% = | **£34,190.17** |
| **Taxable at marginal rate:** | £136,760.66 x 75% = | **£102,570.49** |
| ***Lifetime Allowance Check*:** |  |  |
| UFPLS | £136,760.66 x 100 / 1,073,100.00 = | **12.74%** |

**12.74% is within the member’s LTA balance of 100.00%**

**Summary Answer**

Value of Personal Retirement Fund = £136,760.66 (inclusive of Augmentation of £4,000.00)

Options

1. Single life annuity of £9,308.74 pa (non-increasing) – [LTA used = 12.74%] – Annuity Bureau Charge of £68.38

## OR

1. Single life annuity of £6,916.63 pa (increasing at lower of 3.0% / RPI) – [LTA used = 12.74%] – Annuity Bureau Charge of £68.38

***OR***

1. Pension commencement lump sum of £20,514.10 – [LTA used = 1.91%]

# PLUS

Single life annuity of £7,912.30 pa (non-increasing) – [LTA used = 10.83%] – Annuity Bureau Charge of £60.00

## OR

1. Pension commencement lump sum of £20,514.10 – [LTA used = 1.91%]

# PLUS

Single life annuity of £5,879.04 pa (increasing at lower of 3.0% / RPI) – [LTA used = 10.83%] – Annuity Bureau Charge of £60.00

## OR

1. Uncrystallised Funds Pension Lump Sum (UFPLS) of £136,760.66, of which £34,190.17 will be paid tax-free and £102,570.49 (taxable element) will be paid assuming an emergency code on a month 1 basis (tax code 1250L for 2020/21 tax year) – [LTA used = 12.74%]

***OR***

1. Transfer entire Personal Retirement Account to a suitable alternative arrangement to take advantage of additional flexibilities (e.g. multiple UFPLS’s or Flexi-Access Drawdown)

***OR***

1. Open Market Option