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

# STEPHEN LOWE

Date of birth: 07/10/1954

Date of retirement: 07/10/2020

Age at date of retirement: 66

Normal retirement age: 66 (= SPA, as later than age 65)

Normal retirement date: 07/10/2020 (= SPA, as later than age 65)

Type of retirement: Normal retirement

Lifestyle Fund: N/A

Target retirement date: N/A

Quotes required (1): £22,500.00 as tax-free lump sum (or 25% of PRA, if lower) plus joint 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: Joint life (age 66, non-increasing) = 7.70

Joint life (age 66, increasing annually at the lower of RPI/3.0%) = 6.00

# Member’s normal contributions unit holdings:

|  |  |  |
| --- | --- | --- |
| Global Equity Fund | 6,147.6540 x £3.723 = | £22,887.72 |
| Corporate Bond Fund | 5,234.2226 x £2.734 = | £14,310.36 |
| Cash Fund | 5,523.9008 x £1.014 = | £ 5,601.24 |
| Total |  | **£42,799.32** |

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

|  |  |  |
| --- | --- | --- |
| Global Equity Fund | 9,836.2464 x £3.723 = | £36,620.35 |
| Corporate Bond Fund | 8,374.7562 x £2.734 = | £22,896.58 |
| Cash Fund | 8,838.2413 x £1.014 = | £8,961.98 |
| Total |  | **£68,478.91** |

**Total Personal Retirement Account:**

£42,799.32 + £68,478.91 = **£111,278.23**

**Tax-free lump sum:** £111,278.23 x 25% = **£27,819.56**

 OR (*if lower*)

 £22,500.00 v £27,819.56 **£22,500.00**

**Balance of fund:** £111,278.23 - £22,500.00 = **£88,778.23 Annuity Bureau charge:** £88,778.23 x 0.05% = £44.39

 **£60.00** minimum charge applies (as exceeds £44.39)

**Amount left to purchase an annuity:** £88,778.23 - £60.00 = **£88,718.23**

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

**Member:** £88,718.23 / 100 x 7.70 = **£6,831.30 pa**

# Spouse: £6,831.30 x 50% = £3,415.65 pa Joint life annuity (increasing annually at the lower of RPI/3.0%):

|  |  |  |
| --- | --- | --- |
| **Member:** | £88,718.23 / 100 x 6.00 = | **£5,323.09 pa** |
| **Spouse:** | £5,323.09 x 50% = | **£2,661.55 pa** |
| ***Lifetime Allowance Check*:** |  |  |
| Tax-free lump sum | £22,500.00 x 100 / 1,073,100.00 = | **2.09%** |
| Annuity purchase | £88,778.23 x 100 / 1,073,100.00 = | **8.27%** |
| Total |  | **10.36%** |

**10.36% is within the member’s LTA balance of 73.56%**

**UFPLS:**

|  |  |  |
| --- | --- | --- |
| **Tax-free amount:** | £111,278.23 x 25% = | **£27,819.56** |
| **Taxable at marginal rate:** | £111,278.23 x 75% = | **£83,458.67** |
| ***Lifetime Allowance Check*:** |  |  |
| UFPLS | £111,278.23 x 100 / 1,073,100.00 = | **10.36%** |

**10.36% is within the member’s LTA balance of 73.56%**

**Summary Answer**

Value of Personal Retirement Fund = £111,278.23

Options

1. Pension commencement lump sum of £22,500.00 – [LTA used = 2.09%]

# PLUS

Joint life annuity of £6,831.30 pa (non-increasing) with spouse’s annuity of £3,415.65 pa – [LTA used = 8.27%] – Annuity Bureau Charge of £60.00

## OR

1. Pension commencement lump sum of £22,500.00 – [LTA used = 2.09%]

# PLUS

Joint life annuity of £5,323.09 pa (increasing at lower of 3.0% / RPI) with spouse’s annuity of £2,661.55 pa – [LTA used = 8.27%] – Annuity Bureau Charge of £60.00

## OR

1. Uncrystallised Funds Pension Lump Sum (UFPLS) of £111,278.23, of which £27,819.56 will be paid tax-free and £83,458.67 (taxable element) will be paid assuming an emergency code on a month 1 basis (tax code 1250L for 2020/21 tax year) – [LTA used = 10.36%]

***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