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

# HELEN SNOW

Date of birth: 23/06/1960

Date of retirement: 05/09/2022

Age at date of retirement: 62 years & 2 months

Normal pension date: 23/09/2026 (66 years and 3 months = State Pension Date)

Type of retirement: Early retirement

Lifestyle Fund!

Target retirement date (TRD): 23/06/2023

Last switch to TRD: 01/09/2022 to 23/06/2023 = 9 complete months

Lifestyle matrix split: Global Equity Fund 15.00%

Index Linked Bond Fund 63.75%

Cash Fund 21.25%

Quotes required (1): 25% of fund as tax-free cash sum plus annuity options for non-increasing (*50% joint life*) and increasing annually at the lower of 3.0% / RPI (*50% joint life*)

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

Annuity factors: 50% joint life annuity (age = 62 years & 2 months, non-increasing) = 6.97

[6.94 + (2/12 x 0.16) = 6.97]

50% joint life annuity (age = 62 years & 2 months, increasing annually at the lower of 3.0% / RPI) = 5.24

[5.21 + (2/12 x 0.18) = 5.24]

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

|  |  |  |
| --- | --- | --- |
| Global Equity Fund | 44,399.6482 x 15.00% = 6,659.9472 x £3.971 = | £ 26,446.65  875.71 |
| Index Linked Bond Fund | 44,399.6482 x 63.75% = 28,304.7757 x £1.623 = | £ 45,938.65 |
| Cash Fund | 44,399.6482 x 21.25% = 9,434.9252 x £1.019 = | £ 9,614.19  875.71 |
|  |  | **£ 81,999.49** |

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

|  |  |  |
| --- | --- | --- |
| Global Equity Fund | 71,039.4371 x 15.00% = 10,655.9156 x £3.971 = | £ 42,314.64  875.71 |
| Index Linked Bond Fund | 71,039.4371 x 63.75% = 45,287.6412 x £1.623 = | £ 73,501.84 |
| Cash Fund | 71,039.4371 x 21.25% = 15,095.8804 x £1.019 = | £ 15,382.70  875.71 |
|  |  | **£131,199.18** |
|  |  |  |
| **AVC’s unit holdings:** |  |  |
| Cash Fund | 89,336.3151 x £1.019 = | £ 91,033.71  875.71 |
|  |  | **£ 91,033.71** |

**Total Personal Retirement Account**

Total Value £81,999.49 + £131,199.18 + £91,033.71 = **£304,232.38**

**OPTION-1**

**Tax-free cash sum**

**Amount required:** £304,232.38 x 25% = **£ 76,058.10**

**50% joint life annuity (non-increasing)**

**Balance of fund:** £304,232.38 - £76,058.10 = **£228,174.28**

**Annuity bureau charge:** £228,174.28 x 0.065% = £148.31

**£148.31** charge applies (as exceeds minimum of £75.00)

**Amount left to purchase an annuity:** £228,174.28 - £148.31 = **£228,025.97**

**Member:** £228,025.97 / 100 x 6.97 = **£ 15,893.41 p.a.**

**Spouse:** £15,893.41 x 50% = ***£ 7,946.71 p.a.***

**OPTION-2**

**Tax-free cash sum**

**Amount required:** £304,232.38 x 25% = **£ 76,058.10**

**50% joint life annuity (lower of 3.0% / RPI)**

**Balance of fund:** £304,232.38 - £76,058.10 = **£228,174.28**

**Annuity bureau charge:** £228,174.28 x 0.065% = £148.31

**£148.31** charge applies (as exceeds minimum of £75.00)

**Amount left to purchase an annuity:** £228,174.28 - £148.31 = **£228,025.97**

**Member:** £228,025.97 / 100 x 5.24 = **£ 11,948.56 p.a.**

**Spouse:** £11,948.56 x 50% = ***£ 5,974.28 p.a.***

***Lifetime Allowance Check (BOTH OPTIONS)***

**Tax-free cash sum:** £76,058.10 / £1,073,100.00 x 100% = **7.08%**

**Annuity:** £228,174.28 / £1,073,100.00 x 100% = **21.26%**

*The total LTA of 28.34% (7.08% + 21.26%) is within the member’s LTA balance of 100.00%*

**UFPLS**

**Tax-free amount:** £304,232.38 x 25% = **£ 76,058.10**

**Taxable at marginal rate:** £304,232.38 x 75% = **£228,174.28**

***Lifetime Allowance Check***

**UFPLS:** £304,232.38 / £1,073,100.00 x 100% = **28.35%**

*The total LTA of 28.35% is within the member’s LTA balance of 100.00%*

**Summary Answer**

Value of Personal Retirement Fund = £304,232.38

Options

1. Tax-free cash sum of £76,058.10 – [LTA used = 7.08%]

# PLUS

50% joint life annuity (non-increasing) of £15,893.41 p.a. [*spouse = £7,946.71 p.a.*] – [LTA used = 21.26%] – Annuity Bureau Charge of £148.31

## OR

1. Tax-free cash sum of £76,058.10 – [LTA used = 7.08%]

# PLUS

50% joint life annuity (increasing at lower of 3.0% / RPI) of £11,948.56 p.a. [*spouse = £5,974.28 p.a.*] – [LTA used = 21.26%] – Annuity Bureau Charge of £148.31

## OR

1. Uncrystallised Funds Pension Lump Sum (UFPLS) of £304,232.38, of which £76,058.10 will be paid tax-free and £228,174.28 (taxable element) will be paid assuming an emergency code on a month 1 basis – [LTA used = 28.35%]

***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