# WORKED ANSWER OPQ PLAN ACT => RET (ILL HEALTH)

# JOSEPH DELLER

Date of birth: 09/09/1964

Date of retirement: 04/09/2020

Age at date of retirement: 55 years & 11 months

Normal retirement age: 65 (or SPA, if later)

Normal retirement date: 09/09/2031 (or SPA, if later)

Type of retirement: Ill health retirement

Lifestyle Fund!

Target retirement date (TRD): 09/09/2024

Target retirement age: 60

Last switch to TRD: (01/09/2020 to 09/09/2024) = 48 complete months

Lifestyle matrix split: Global Equity Fund 80.00%

Index Linked Bond Fund 15.00%

Cash Fund 5.00%

Quotes required (1): 20% of fund as tax-free lump sum plus joint life annuity options for non-increasing and increasing annually at the lower of RPI/2.5%

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

Annuity factors: Joint life (age 55yrs & 11mths, non-increasing) = 6.11

[6.00 + (11/12 x 0.12) = 6.11]

Joint life (age 55yrs & 11mths, increasing annually at the lower of RPI/2.5%) = 4.61

[4.50 + (11/12 x 0.12) = 4.61]

# Member’s normal contributions unit holdings:

|  |  |  |
| --- | --- | --- |
| Global Equity Fund | 13,482.7632 x 80% = 10,786.2106 x £3.723 = | £40,157.06 |
| Index Linked Bond Fund | 13,482.7632 x 15% = 2,022.4145 x £1.486 = | £3,005.31 |
| Cash Fund | 13,482.7632 x 5% = 674.1382 x £1.014 = | £683.58  875.71 |
| Total |  | **£43,845.95** |

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

|  |  |  |
| --- | --- | --- |
| Global Equity Fund | 21,572.4211 x 80% = 17,257.9369 x £3.723 = | £64,251.30 |
| Index Linked Bond Fund | 21,572.4211 x 15% = 3,235.8632 x £1.486 = | £4,808.49 |
| Cash Fund | 21,572.4211 x 5% = 1,078.6211 x £1.014 = | £1,093.72 |
| Total |  | **£70,153.51** |
| A |  |  |
| AVCs (Cash Fund) | 15,279.8777 x £1.014 = | **£15,493.80** |

**Total Personal Retirement Account:**

£43,845.95 + £70,153.51 + £15,493.80 **£129,493.26**

**Tax-free lump sum:** £129,493.26 x 20% = **£ 25,898.65**

**Balance of fund:** £129,493.26 - £25,898.65 = **£103,594.61 Annuity Bureau charge:** £103,594.61 x 0.05% = £51.80

**£60.00** minimum charge applies (as exceeds £51.80)

**Amount left to purchase an annuity:** £103,594.61 - £60.00 = **£103,534.61**

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

**Member:** £103,534.61 / 100 x 6.11 = **£6,325.96 pa**

# Spouse: £6,325.96 x 50% = £3,162.98 pa Joint life annuity (increasing annually at the lower of RPI/2.5%):

|  |  |  |
| --- | --- | --- |
| **Member:** | £103,534.61 / 100 x 4.61 = | **£4,772.95 pa** |
| **Spouse:** | £4,772.95 x 50% = | **£2,386.48 pa** |
| ***Lifetime Allowance Check*:** |  |  |
| Tax-free lump sum | £25,898.65 x 100 / 1,073,100.00 = | **2.41%** |
| Annuity purchase | £103,594.61 x 100 / 1,073,100.00 = | **9.65%** |
| Total |  | **12.06%** |

**12.06% is within the member’s LTA balance of 100.00%**

**UFPLS:**

|  |  |  |
| --- | --- | --- |
| **Tax-free amount:** | £129,493.26 x 25% = | **£32,373.32** |
| **Taxable at marginal rate:** | £129,493.26 x 75% = | **£97,119.94** |
| ***Lifetime Allowance Check*:** |  |  |
| UFPLS | £129,493.26 x 100 / 1,073,100.00 = | **12.06%** |

**12.06% is within the member’s LTA balance of 100.00%**

**Summary Answer**

Value of Personal Retirement Fund = £129,493.26 (inclusive of AVCs of £15,493.80)

Options

1. Pension commencement lump sum of £25,898.65 – [LTA used = 2.41%]

# PLUS

Joint life annuity of £6,325.96 pa (non-increasing) with spouse’s annuity of £3,162.98 pa – [LTA used = 9.65%] – Annuity Bureau Charge of £60.00

## OR

1. Pension commencement lump sum of £25,898.65 – [LTA used = 2.41%]

# PLUS

Joint life annuity of £4,772.95 pa (increasing at lower of 2.5% / RPI) with spouse’s annuity of £2,386.48 pa – [LTA used = 9.65%] – Annuity Bureau Charge of £60.00

## OR

1. Uncrystallised Funds Pension Lump Sum (UFPLS) of £129,493.26, of which £32,373.32 will be paid tax-free and £97,119.94 (taxable element) will be paid assuming an emergency code on a month 1 basis (tax code 1250L for 2020/21 tax year) – [LTA used = 12.06%]

***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