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

# AMY REES

Date of birth: 02/09/1955

Date of retirement: 02/09/2020

Age at date of retirement: 65

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

Normal retirement date: 02/09/2021 (= SPA, as later than age 65)

Type of retirement: Early retirement (from preserved)

Lifestyle Fund: N/A

Target retirement date: N/A

Quotes required (1): 25% of fund as tax-free lump sum plus single life annuity options for increasing annually at the lower of RPI/3.0% and increasing annually at the lower of RPI/5.0%

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

Annuity factors: Single life annuity (age 65, increasing annually at the lower of RPI/3.0%) = 6.98

Single life annuity (age 65, increasing annually at the lower of RPI/5.0%) = 6.60

# Member’s normal contributions unit holdings:

|  |  |  |
| --- | --- | --- |
| Index Linked Bond Fund | 6,823.2222 x £1.486 = | £10,139.31 |
| Corporate Bond Fund | 7,302.3233 x £2.734 = | £19,964.55 |
| Cash Fund | 11,048.3290 x £1.014 = | £11,203.01 |
| Total |  | **£41,306.87** |

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

|  |  |  |
| --- | --- | --- |
| Balanced Fund | 10,917.1556 x £1.486 = | £16,222.89 |
| Corporate Bond Fund | 11,683.7173 x £2.734 = | £31,943.28 |
| Cash Fund | 17,677.3264 x £1.014 = | £17,924.81 |
| Total |  | **£66,090.98** |

**Total Personal Retirement Account:**

£41,306.87 + £66,090.98 = **£107,397.85**

**Tax-free lump sum:** £107,397.85 x 25% = **£26,849.46**

**Balance of fund:** £107,397.85 - £26,849.46 = **£80,548.39 Annuity Bureau charge:** £80,548.39 x 0.05% = £40.27

**£60.00** minimum charge applies (as exceeds £40.27)

**Amount left to purchase an annuity:** £80,548.39 - £60.00 = **£80,488.39**

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

**Member:** £80,488.39 / 100 x 6.98 = **£5,618.09 pa**

# Spouse: N/A

|  |  |  |
| --- | --- | --- |
| **Member:** | £80,488.39 / 100 x 6.60 = | **£5,312.23 pa** |
| **Spouse:** | N/A |  |
| ***Lifetime Allowance Check*:** |  |  |
| Tax-free lump sum | £26,849.46 x 100 / 1,073,100.00 = | **2.50%** |
| Annuity purchase | £80,548.39 x 100 / 1,073,100.00 = | **7.50%** |
| Total |  | **10.00%** |

# Single life annuity (increasing annually at the lower of RPI/5.0%):

**10.00% is within the member’s LTA balance of 84.66%**

**UFPLS:**

|  |  |  |
| --- | --- | --- |
| **Tax-free amount:** | £107,397.85 x 25% = | **£26,849.46** |
| **Taxable at marginal rate:** | £107,397.85 x 75% = | **£80,548.39** |
| ***Lifetime Allowance Check*:** |  |  |
| UFPLS | £107,397.85 x 100 / 1,073,100.00 = | **10.00%** |
|  |  |  |

**10.00% is within the member’s LTA balance of 84.66%**

**Summary Answer**

Value of Personal Retirement Fund = £107,397.85

Options

1. Pension commencement lump sum of £26,849.46 – [LTA used = 2.50%]

# PLUS

Single life annuity of £5,618.09 pa (increasing at lower of 3.0% / RPI) – [LTA used = 7.50%] – Annuity Bureau Charge of £60.00

## OR

1. Pension commencement lump sum of £26,849.46 – [LTA used = 2.50%]

# PLUS

Single life annuity of £5,312.23 pa (increasing at lower of 5.0% / RPI) – [LTA used = 7.50%] – Annuity Bureau Charge of £60.00

## OR

1. Uncrystallised Funds Pension Lump Sum (UFPLS) of £107,397.85, of which £26,849.46 will be paid tax-free and £80,548.39 (taxable element) will be paid assuming an emergency code on a month 1 basis (tax code 1250L for 2020/21 tax year) – [LTA used = 10.00%]

***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