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

# DENIS UNDERWOOD

Date of birth: 12/03/1953

Date of retirement: 02/09/2022

Age at date of retirement: 69 years & 5 months

Normal pension date: 12/03/2018 (65 years = State Pension Date)

Type of retirement: Late retirement

Lifestyle Fund!

Target retirement date (TRD): 31/03/2023

Last switch to TRD: 01/09/2022 to 31/03/2023 = 7 complete months

Lifestyle matrix split: Global Equity Fund 11.67%

Index Linked Bond Fund 66.25%

Cash Fund 22.08%

Quotes required (1): Annuity options for non-increasing (*single life & 50% joint life*) and annuity options for increasing annually at the lower of 5.0% / RPI (*single life & 50% joint life*)

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

Annuity factors: Single life annuity (age = 69 years & 5 months, non-increasing) = 10.18 *[10.02 + (5/12 x 0.39) = 10.18]*

50% joint life annuity (age = 69 years & 5 months, non-increasing) = 8.54 *[8.42 + (5/12 x 0.28) = 8.54*

Single life annuity (age = 69 years & 5 months, increasing annually at the lower of 5.0% / RPI) = 8.11 *[7.94 + (5/12 x 0.40) = 8.11]*

50% joint life annuity (age = 69 years & 5 months, increasing annually at the lower of 5.0% / RPI) = 6.50

*[6.38 + (5/12 x 0.28) = 6.50]*

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

|  |  |  |
| --- | --- | --- |
| Global Equity Fund | 59,222.6586 x 11.67% = 6,911.2843 x £3.971 = | £ 27,444.71  875.71 |
| Index Linked Bond Fund | 59,222.6586 x 66.25% = 39,235.0113 x £1.623 = | £ 63,678.42 |
| Cash Fund | 59,222.6586 x 22.08% = 13,076.3630 x £1.019 = | £ 13,324.81  875.71 |
|  |  | **£104,447.94** |

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

|  |  |  |
| --- | --- | --- |
| Global Equity Fund | 94,756.2538 x 11.67% = 11,058.0548 x £3.971 = | £ 43,911.54  875.71 |
| Index Linked Bond Fund | 94,756.2538 x 66.25% = 62,776.0181 x £1.623 = | £101,885.48 |
| Cash Fund | 94,756.2538 x 22.08% = 20,922.1808 x £1.019 = | £ 21,319.70  875.71 |
|  |  | **£167,116.72** |
| **Augmentation unit holdings:** |  |  |
| Corporate Bond Fund | 4,051.5559 x £2.907 = | £ 11,777.87  875.71 |
|  |  | **£ 11,777.87** |

**Total Personal Retirement Account**

|  |  |  |
| --- | --- | --- |
| Total Value | £104,447.94 + £167,116.72 + £11,777,87 = 11,058.0548 x £3.971 = | **£283,342.53**  875.71 |

**OPTION-1**

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

**Value of fund: £283,342.53**

**Annuity bureau charge:** £283,342.53 x 0.065% = £184.17

**£184.17** charge applies (as exceeds minimum of £75.00)

**Amount left to purchase an annuity:** £283,342.53 - £184.17 = **£283,158.36**

**Member:** £283,158.36 / 100 x 10.18 = **£ 28,825.52 p.a.**

**Spouse: N/A**

**OPTION-2**

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

**Value of fund: £283,342.53**

**Annuity bureau charge:** £283,342.53 x 0.065% = £184.17

**£184.17** charge applies (as exceeds minimum of £75.00)

**Amount left to purchase an annuity:** £283,342.53 - £184.17 = **£283,158.36**

**Member:** £283,158.36 / 100 x 8.54 = **£ 24,181.72 p.a.**

**Spouse:** £24,181.72 x 50% = ***£ 12,090.86 p.a.***

**OPTION-3**

**Single life annuity (increasing annually at lower of 5.0% / RPI)**

**Value of fund: £283,342.53**

**Annuity bureau charge:** £283,342.53 x 0.065% = £184.17

**£184.17** charge applies (as exceeds minimum of £75.00)

**Amount left to purchase an annuity:** £283,342.53 - £184.17 = **£283,158.36**

**Member:** £283,158.36 / 100 x 8.11 = **£ 22,964.14 p.a.**

**Spouse: N/A**

**OPTION-4**

**50% joint life annuity (increasing annually at lower of 5.0% / RPI)**

**Value of fund: £283,342.53**

**Annuity bureau charge:** £283,342.53 x 0.065% = £184.17

**£184.17** charge applies (as exceeds minimum of £75.00)

**Amount left to purchase an annuity:** £283,342.53 - £184.17 = **£283,158.36**

**Member:** £283,158.36 / 100 x 6.50 = **£ 18,405.29 p.a.**

**Spouse:** £18,405.29 x 50% = ***£ 9,202.65 p.a.***

***Lifetime Allowance Check (ALL OPTIONS)***

**Annuity:** £283,342.53 / £1,073,100.00 x 100% = **26.40%**

*The total LTA of 26.40 is within the member’s LTA balance of 87.64%*

**UFPLS**

**Tax-free amount:** £283,342.53 x 25% = **£ 70,835.63**

**Taxable at marginal rate:** £283,342.53 x 75% = **£212,506.90**

***Lifetime Allowance Check***

**UFPLS:** £283,342.53 / £1,073,100.00 x 100% = **26.40%**

*The total LTA of 26.40% is within the member’s LTA balance of 87.64%*

**Summary Answer**

Value of Personal Retirement Fund = £283,342.53

Options

1. Single life annuity (non-increasing) of £28,825.52 p.a. [*spouse = N/A*] – [LTA used = 26.40%] – Annuity Bureau Charge of £184.17

## OR

1. 50% joint life annuity (non-increasing) of £24,181.72 p.a. [*spouse = £12,090.86 p.a.*] – [LTA used = 26.40%] – Annuity Bureau Charge of £184.17

## OR

1. Single life annuity (increasing at lower of 5.0% / RPI) of £22,964.14 p.a. [*spouse = N/A*] – [LTA used = 26.40%] – Annuity Bureau Charge of £184.17

## OR

1. 50% joint life annuity (increasing at lower of 5.0% / RPI) of £18,405.29 p.a. [*spouse = £9,202.65 p.a.*] – [LTA used = 26.40%] – Annuity Bureau Charge of £184.17

## OR

1. Uncrystallised Funds Pension Lump Sum (UFPLS) of £283,342.53, of which £70,835.63 will be paid tax-free and £212,506.90 (taxable element) will be paid assuming an emergency code on a month 1 basis – [LTA used = 26.40%]

***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