



# Government Actuary's Department

## **Local Government Pension Scheme (England and Wales)**

Pensioner cash equivalent factors on divorce

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## 1 Important notes on use of factor tables

- 1.1 DCLG has asked GAD to prepare guidance for administering authorities for the purpose of calculating cash equivalents under Regulation 4 of the Pension Sharing (Valuation) Regulations 2000, which are calculated in accordance with the Occupational Pension Schemes (Transfer Values) Regulations 1996 and based on assumptions set by DCLG.
- 1.2 This document also sets out GAD's recommended factors for calculating cash equivalents for pensioners, and describes how cash equivalents should be calculated for difference classes of members. It should be read in alongside the guidance document 'Pension Sharing Following Divorce Calculation of Cash Equivalents' dated 8 April 2011 ('the guidance document').
- 1.3 The actuarial factors in this note have effect only when this note is issued by the Secretary of State, and is subject to the implementation instructions provided at that time.
- 1.4 When issued, this guidance will replace the previous factors dated 18 January 2012 which themselves replaced the factors set out in factor tables 4, 5, 6 and 7 in the guidance document.
- 1.5 Where an adjustment factor applies to a GMP, the GMP figure used should be the annual amount, including revaluation and deferred payment increment where relevant.
- 1.6 The factors within this note are consistent with the HMT guidelines, issued on 26th October 2011, regarding the discount rate to be used for CETVs payable from public service schemes.
- 1.7 In accordance with HMT's note, an Adjustment for Market Conditions (AMC) is no longer used in the calculation of transfer values. However, the table 3.1 has been retained in order to aid with administration. All values in this table have been set to 1.00.

### Cash equivalents for different classes of members

#### Pensioners

- 1.8 The calculation for pensioners should be based on their pension in payment at the Transfer day and the contingent survivor's pension that would be payable if the pension died on the Transfer day. This should be the rate payable to a survivor of a post-exit marriage or partnership.
- 1.9 Factors for a member retired in normal health aged under 55 will be provided by GAD on request.



### **Dependant pensioners**

- 1.10 Where a cash equivalent value is required for a pensioner who was the dependant of a deceased member (and has subsequently become another person's partner in respect of whom the divorce proceedings relate), the dependant should be treated for the purpose of this guidance document as if he/she were a member but without any contingent pension benefits payable on death.

### **Active members and deferred pensioners**

- 1.11 The calculation for an active or deferred member will depend upon whether or not the member could have retired without actuarial reduction or employer consent on the Transfer day.
- 1.12 If the member could not have voluntarily retired with immediate payment of unreduced benefits at the Transfer day then the benefits should be valued in accordance with the current CETV guidance, based on the member's status, age and benefits at the Transfer day. For an active member, the benefits should be the deferred benefits the member would be entitled to if they left service on the day before Transfer day.
- 1.13 If the member could have voluntarily retired with immediate payment of unreduced benefits i.e. with no actuarial reduction on the Transfer day:
- 1.13.1 For both active and deferred members, the divorce CETV is calculated as if that the member had retired on the day immediately before the Transfer day and was therefore in receipt of retirement benefits from the Transfer day. It should be assumed that no pension is commuted for a lump sum.
- 1.13.2 In 1.13.1 the member is therefore treated as if they were a pensioner member and the divorce CETV should be calculated based on the formula for a pensioner cash equivalent using the formulae in section 4 of the guidance document. The actual future date of the member's (planned) retirement in practice is of no relevance to this calculation.
- 1.13.3 The calculation is based on the member's age, assumed status and benefits at the Transfer day.
- 1.13.4 Benefits not yet in payment should be increased in line with the current guidance on late retirements.
- 1.14 If the member could have voluntarily retired with immediate payment of unreduced benefits but only for part of their benefits on the Transfer day then the CETV calculations will need to reflect the difference in status in respect of the various elements of benefits. Those benefits payable immediately without consent or reduction should be valued on the basis described in paragraph 1.13. Other benefits should be valued in accordance with paragraph 1.12. The cash equivalent (for divorce purposes) is the sum of the values of all the various elements of benefit.



### **Female deferred pensioners**

- 1.15 Female deferred pensioners could potentially be in receipt of only GMPs at the Transfer day, with the remainder of their pension benefits to come into payment at a later date. In these circumstances the member should be treated wholly as a deferred pensioner: the CETV calculations will allow for immediate payment of the GMP.
- 1.16 If authorities require any assistance then these cases could be referred to GAD via DCLG.

### **Flexible Retirement**

- 1.17 Some pensioners may have taken flexible retirement and hence remain in service whilst also receiving a pension.
- 1.18 If such a member requests a CETV for the purposes of divorce, the following approach should be adopted:
- > The pension in payment is valued using the formulae in section 4 of the guidance document.
  - > The benefits that have not yet come into payment are valued as for an active member (and therefore in accordance with paragraphs 1.12, 1.13 and 1.14, as appropriate).
  - > The cash equivalent (for divorce purposes) is the sum of all the elements above.

### **Tier 3 ill-health pension cases**

- 1.19 Tier 3 ill health pensions can only continue for up to 3 years. In the longer-term, the members will either be paid their deferred benefits or alternatively move to Tier 2 or Tier 1 ill-health. Therefore a different treatment for Tier 3 ill-health pensions is appropriate compared to other pensions in payment.



- 1.20 The transfer value for Tier 3 ill-health pensions should be calculated using the formula below:

**Calculation of benefits**

	<u>Formula</u>	<u>Result</u>
Value of Tier 2 benefits	Use formulae in section 4 of the guidance document but ensuring that the pension data items P and SUR reflect the pension that would be payable were the member to convert immediately to Tier 2.	N
Value of remaining Tier 3 benefits	Current Tier 3 annual pension x number of (possible) years remaining (in years and complete months). Capped at the period to normal retirement age.	O
Value of deferred benefits assuming member does not progress to Tier 2 benefits	Use CETV guidance for deferred members based on actual benefits that will be payable from deferred retirement (not the Tier 3 benefits currently payable).	P
<b>Cash Equivalent (divorce – ill-health Tier 3)</b>	$(0.2 \times N) + (0.8 \times O) + (0.8 \times P)$	



## 2 Pensioner cash equivalent factors on divorce

Table 1.1 – Males (non-ill-health cases)

Age last birthday at relevant date	Member's Pension of £1 pa	Surviving Partner's Pension of £1 pa	Deduction for GMP of £1 pa*	Deduction for NI Modification of £1 pa
55	20.56	2.76	3.30	12.25
56	20.18	2.82	3.32	12.61
57	19.79	2.88	3.33	12.98
58	19.39	2.94	3.35	13.36
59	19.00	2.99	3.36	13.76
60	18.59	3.04	3.38	14.18
61	18.18	3.09	3.40	14.62
62	17.77	3.14	3.43	15.08
63	17.35	3.19	3.45	15.57
64	16.94	3.24	3.55	16.08
65	16.47	3.28	3.56	
66	15.95	3.32	3.38	
67	15.42	3.36	3.21	
68	14.88	3.40	3.04	
69	14.33	3.40	2.87	
70	13.78	3.38	2.71	
71	13.22	3.41	2.54	
72	12.67	3.44	2.38	
73	12.12	3.46	2.22	
74	11.58	3.35	2.07	
75	11.07	3.23	1.92	
76	10.56	3.22	1.77	
77	10.06	3.21	1.64	
78	9.57	3.18	1.50	
79	9.07	2.96	1.37	
80	8.58	2.74	1.25	
81	8.09	2.70	1.13	
82	7.60	2.65	1.01	
83	7.12	2.60	0.90	
84	6.64	2.30	0.80	



## 2 Pensioner cash equivalent factors on divorce (cont'd)

Table 1.1 – Males (non-ill-health cases) *continued*

Age last birthday at relevant date	Member's Pension of £1 pa	Surviving Partner's Pension of £1 pa	Deduction for GMP of £1 pa*	Deduction for NI Modification of £1 pa
85	6.18	2.00	0.70	
86	5.74	1.93	0.61	
87	5.31	1.86	0.53	
88	4.91	1.78	0.45	
89	4.55	1.44	0.39	
90	4.21	1.11	0.33	
91	3.91	1.05	0.29	
92	3.63	0.98	0.24	
93	3.38	0.92	0.21	
94	3.14	0.85	0.18	
95	2.93	0.79	0.15	
96	2.73	0.73	0.13	
97	2.54	0.68	0.11	
98	2.37	0.63	0.10	
99	2.22	0.58	0.08	
100	2.00	0.51	0.07	

\* When calculating the deduction for GMP, the factor given should be applied to the sum of the GMP amount in respect of service up to 5 April 1988 and 15% of the GMP amount in respect of service after that date





## 2 Pensioner cash equivalent factors on divorce (cont'd)

Table 1.2 – Females (non-ill-health cases)

Age last birthday at relevant date	Member's Pension of £1 pa	Surviving Partner's Pension of £1 pa	Deduction for GMP of £1 pa*	Deduction for NI Modification of £1 pa
55	21.65	1.14	2.92	13.35
56	21.30	1.14	2.93	13.74
57	20.94	1.15	2.95	14.15
58	20.58	1.16	2.96	14.57
59	20.20	1.16	3.04	15.01
60	19.83	1.17	3.15	15.47
61	19.44	1.17	3.24	15.94
62	19.04	1.17	3.33	16.44
63	18.64	1.18	3.43	16.95
64	18.23	1.18	3.53	17.49
65	17.79	1.18	3.50	
66	17.30	1.18	3.33	
67	16.81	1.18	3.16	
68	16.30	1.17	3.00	
69	15.79	1.03	2.84	
70	15.27	0.89	2.67	
71	14.74	0.88	2.52	
72	14.21	0.88	2.36	
73	13.68	0.87	2.21	
74	13.15	0.75	2.06	
75	12.64	0.64	1.92	
76	12.12	0.63	1.78	
77	11.61	0.62	1.65	
78	11.10	0.60	1.52	
79	10.59	0.48	1.39	
80	10.07	0.37	1.27	
81	9.55	0.35	1.16	
82	9.03	0.34	1.05	
83	8.51	0.32	0.94	
84	8.00	0.24	0.84	



## 2 Pensioner cash equivalent factors on divorce (cont'd)

Table 1.2 – Females (non-ill-health cases) *continued*

Age last birthday at relevant date	Member's Pension of £1 pa	Surviving Partner's Pension of £1 pa	Deduction for GMP of £1 pa*	Deduction for NI Modification of £1 pa
85	7.50	0.17	0.75	
86	7.03	0.16	0.67	
87	6.57	0.15	0.59	
88	6.13	0.14	0.52	
89	5.73	0.10	0.46	
90	5.35	0.07	0.41	
91	4.99	0.06	0.36	
92	4.65	0.06	0.31	
93	4.34	0.05	0.28	
94	4.03	0.05	0.24	
95	3.74	0.05	0.21	
96	3.47	0.05	0.18	
97	3.21	0.04	0.16	
98	2.98	0.04	0.14	
99	2.76	0.04	0.12	
100	2.44	0.04	0.10	

\* When calculating the deduction for GMP, the factor given should be applied to the sum of the GMP amount in respect of service up to 5 April 1988 and 15% of the GMP amount in respect of service after that date



### 3 Ill-health pensioner cash equivalent factors on divorce

Table 2.1 – Males

Age last birthday at relevant date	Member's Pension of £1 pa	Surviving Partner's Pension of £1 pa	Deduction for GMP of £1 pa*	Deduction for NI Modification of £1 pa
20	26.08	3.46	2.24	3.52
21	25.92	3.50	2.25	3.62
22	25.76	3.54	2.26	3.72
23	25.59	3.57	2.26	3.83
24	25.41	3.61	2.27	3.93
25	25.23	3.65	2.28	4.05
26	25.04	3.70	2.29	4.16
27	24.85	3.74	2.30	4.28
28	24.66	3.78	2.31	4.40
29	24.47	3.81	2.32	4.53
30	24.28	3.84	2.33	4.66
31	24.09	3.87	2.34	4.80
32	23.90	3.90	2.35	4.94
33	23.71	3.92	2.37	5.09
34	23.53	3.94	2.38	5.25
35	23.34	3.95	2.40	5.41
36	23.16	3.95	2.41	5.59
37	22.97	3.95	2.43	5.77
38	22.79	3.95	2.45	5.95
39	22.61	3.94	2.47	6.15
40	22.42	3.93	2.49	6.35
41	22.22	3.93	2.51	6.56
42	22.02	3.92	2.53	6.77
43	21.80	3.92	2.55	6.99
44	21.57	3.93	2.57	7.22
45	21.32	3.94	2.59	7.45
46	21.05	3.96	2.61	7.69
47	20.77	3.99	2.63	7.93
48	20.46	4.02	2.64	8.17
49	20.14	4.06	2.66	8.43
50	19.81	4.11	2.68	8.69
51	19.47	4.15	2.69	8.96
52	19.13	4.19	2.71	9.24
53	18.78	4.24	2.73	9.53
54	18.42	4.27	2.75	9.84
55	18.05	4.31	2.78	10.16
56	17.68	4.35	2.80	10.50
57	17.31	4.38	2.83	10.86
58	16.92	4.41	2.85	11.23
59	16.53	4.44	2.89	11.63



### 3 Ill-health pensioner cash equivalent factors on divorce (cont)

Table 2.1 – Males *continued*

Age last birthday at relevant date	Member's Pension of £1 pa	Surviving Partner's Pension of £1 pa	Deduction for GMP of £1 pa*	Deduction for NI Modification of £1 pa
60	16.14	4.46	2.92	12.06
61	15.75	4.48	2.96	12.51
62	15.35	4.49	3.00	13.00
63	14.95	4.50	3.04	13.51
64	14.55	4.51	3.16	14.07
65	14.14	4.51	3.17	
66	13.73	4.51	3.02	
67	13.30	4.51	2.87	
68	12.87	4.51	2.72	
69	12.43	4.44	2.57	
70	11.98	4.37	2.42	
71	11.53	4.36	2.27	
72	11.08	4.34	2.13	
73	10.63	4.31	1.99	
74	10.19	4.13	1.85	
75	9.76	3.94	1.72	
76	9.34	3.88	1.60	
77	8.92	3.81	1.47	
78	8.51	3.74	1.36	
79	8.10	3.44	1.25	
80	7.70	3.14	1.14	
81	7.29	3.06	1.03	
82	6.89	2.97	0.93	
83	6.49	2.88	0.83	
84	6.10	2.52	0.74	
85	5.72	2.17	0.65	
86	5.35	2.07	0.57	
87	5.00	1.97	0.50	
88	4.67	1.86	0.44	
89	4.37	1.50	0.38	
90	4.10	1.14	0.33	
91	3.84	1.07	0.28	
92	3.61	0.99	0.25	
93	3.40	0.91	0.21	
94	3.20	0.84	0.18	
95	3.00	0.78	0.16	

\*When calculating the deduction for GMP, the factor given should be applied to the sum of the GMP amount in respect of service up to 5 April 1988 and **15%** of the GMP amount in respect of service after that date



### 3 Ill-health pensioner cash equivalent factors on divorce (cont)

Table 2.2 – Females

Age last birthday at relevant date	Member's Pension of £1 pa	Surviving Partner's Pension of £1 pa	Deduction for GMP of £1 pa*	Deduction for NI Modification of £1 pa
20	27.27	2.07	2.05	4.11
21	27.10	2.10	2.05	4.22
22	26.93	2.13	2.06	4.34
23	26.75	2.16	2.06	4.46
24	26.58	2.18	2.07	4.58
25	26.40	2.21	2.07	4.71
26	26.23	2.23	2.08	4.84
27	26.05	2.24	2.08	4.98
28	25.88	2.26	2.09	5.12
29	25.70	2.27	2.10	5.27
30	25.53	2.27	2.11	5.43
31	25.36	2.27	2.12	5.59
32	25.19	2.27	2.13	5.75
33	25.01	2.26	2.14	5.93
34	24.83	2.26	2.15	6.10
35	24.65	2.25	2.16	6.29
36	24.47	2.24	2.17	6.48
37	24.28	2.22	2.18	6.68
38	24.09	2.21	2.19	6.89
39	23.90	2.19	2.20	7.10
40	23.70	2.17	2.22	7.32
41	23.50	2.15	2.23	7.55
42	23.28	2.14	2.24	7.79
43	23.06	2.12	2.25	8.03
44	22.82	2.11	2.27	8.28
45	22.57	2.10	2.28	8.53
46	22.31	2.09	2.29	8.80
47	22.05	2.08	2.30	9.07
48	21.77	2.08	2.31	9.35
49	21.49	2.07	2.33	9.64
50	21.20	2.06	2.34	9.95
51	20.90	2.04	2.36	10.26
52	20.60	2.03	2.37	10.59
53	20.29	2.01	2.39	10.94
54	19.98	2.00	2.40	11.29
55	19.65	1.98	2.42	11.66
56	19.32	1.96	2.44	12.05
57	18.98	1.94	2.46	12.45
58	18.62	1.93	2.47	12.87
59	18.26	1.91	2.55	13.31



### 3 Ill-health pensioner cash equivalent factors on divorce

Table 2.2 – Females *continued*

Age last birthday at relevant date	Member's Pension of £1 pa	Surviving Partner's Pension of £1 pa	Deduction for GMP of £1 pa*	Deduction for NI Modification of £1 pa
60	17.89	1.89	2.65	13.77
61	17.51	1.87	2.74	14.24
62	17.12	1.86	2.82	14.74
63	16.72	1.84	2.92	15.27
64	16.30	1.82	3.01	15.82
65	15.88	1.80	2.99	
66	15.45	1.78	2.84	
67	15.00	1.76	2.69	
68	14.54	1.74	2.54	
69	14.08	1.52	2.40	
70	13.60	1.30	2.25	
71	13.12	1.28	2.11	
72	12.64	1.26	1.98	
73	12.15	1.24	1.85	
74	11.67	1.07	1.72	
75	11.19	0.90	1.60	
76	10.72	0.88	1.48	
77	10.26	0.85	1.37	
78	9.80	0.82	1.27	
79	9.36	0.66	1.17	
80	8.91	0.49	1.07	
81	8.47	0.47	0.98	
82	8.05	0.44	0.90	
83	7.63	0.41	0.82	
84	7.23	0.31	0.74	
85	6.84	0.21	0.67	
86	6.48	0.19	0.61	
87	6.15	0.18	0.55	
88	5.83	0.16	0.50	
89	5.55	0.11	0.45	
90	5.28	0.07	0.41	
91	5.03	0.06	0.37	
92	4.79	0.06	0.34	
93	4.54	0.05	0.30	
94	4.29	0.05	0.27	
95	4.03	0.05	0.24	

\* When calculating the deduction for GMP, the factor given should be applied to the sum of the GMP amount in respect of service up to 5 April 1988 and **15%** of the GMP amount in respect of service after that date



## 4 Adjustment for market conditions

Table 3.1 – Adjustment for Market Conditions

Age Last Birthday at Relevant Date	Yield on Index Linked Stocks at Relevant Date				
	0.0%	1.0%	2.0%	3.0%	4.0%
20-40	1.00	1.00	1.00	1.00	1.00
41	1.00	1.00	1.00	1.00	1.00
42	1.00	1.00	1.00	1.00	1.00
43	1.00	1.00	1.00	1.00	1.00
44	1.00	1.00	1.00	1.00	1.00
45	1.00	1.00	1.00	1.00	1.00
46	1.00	1.00	1.00	1.00	1.00
47	1.00	1.00	1.00	1.00	1.00
48	1.00	1.00	1.00	1.00	1.00
49	1.00	1.00	1.00	1.00	1.00
50	1.00	1.00	1.00	1.00	1.00
51	1.00	1.00	1.00	1.00	1.00
52	1.00	1.00	1.00	1.00	1.00
53	1.00	1.00	1.00	1.00	1.00
54	1.00	1.00	1.00	1.00	1.00
55	1.00	1.00	1.00	1.00	1.00
56	1.00	1.00	1.00	1.00	1.00
57	1.00	1.00	1.00	1.00	1.00
58	1.00	1.00	1.00	1.00	1.00
59	1.00	1.00	1.00	1.00	1.00
60	1.00	1.00	1.00	1.00	1.00
61	1.00	1.00	1.00	1.00	1.00
62	1.00	1.00	1.00	1.00	1.00
63	1.00	1.00	1.00	1.00	1.00
64	1.00	1.00	1.00	1.00	1.00
65	1.00	1.00	1.00	1.00	1.00
66	1.00	1.00	1.00	1.00	1.00
67	1.00	1.00	1.00	1.00	1.00
68	1.00	1.00	1.00	1.00	1.00
69	1.00	1.00	1.00	1.00	1.00
70	1.00	1.00	1.00	1.00	1.00
71	1.00	1.00	1.00	1.00	1.00
72	1.00	1.00	1.00	1.00	1.00
73	1.00	1.00	1.00	1.00	1.00
74	1.00	1.00	1.00	1.00	1.00
75	1.00	1.00	1.00	1.00	1.00
76	1.00	1.00	1.00	1.00	1.00
77	1.00	1.00	1.00	1.00	1.00
78	1.00	1.00	1.00	1.00	1.00
79	1.00	1.00	1.00	1.00	1.00
80	1.00	1.00	1.00	1.00	1.00



## 5 Appendix – Limitations

- 5.1 This Factor Suite should not be used for any purpose other than for guidance in the calculation of transfer values on divorce.
- 5.2 The factors contained in this note are subject to regular review. Administrators need to ensure that they are using the latest factors, as relevant, when processing cases.
- 5.3 This note should be considered in its entirety as individual sections, if considered in isolation, may be misleading, and conclusions reached by a review of some sections on their own may be incorrect.
- 5.4 This note only covers the actuarial principles around the calculation of cash equivalents on divorce. Any legal advice in this area should be sought from an appropriately qualified person or source.
- 5.5 Administrators should satisfy themselves that cash equivalents comply with all legislative requirements including, but not limited to, tax and contracting out requirements.
- 5.6 This guidance is based on the Regulations in force at the time of writing. It is possible that future changes to the Regulations might create inconsistencies between this guidance and the Regulations. If users of this guidance believe there to be any such inconsistencies, they should bring this to the attention of DCLG. In no circumstances should this guidance take precedence over the Regulations. Administrators should ensure that they comply with all relevant Regulations.