Government
Actuary's
Department

Local Government Pension Scheme (England and Wales)

Pension Sharing Following Divorce

Factors and guidance

Date: 11 June 2020

Contents

1   Introduction

1.1   The Ministry for Housing, Communities and Local Government (MHCLG) has asked GAD to prepare this 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.

1.2   Separate instructions cover the conversion of a pension credit to pension for the ex-partner – please see the latest versions of our guidance notes *The Local Government Pension Scheme (England and Wales): Application of a pension credit to the former partner of a pre-2014 leaver – Factors and Guidance* and *The Local Government Pension Scheme (England and Wales): Application of a pension credit to the former partner of a post-2014 leaver – Factors and Guidance.*

1.3   Separate instructions cover the conversion of a pension debit as a result of implementing a pension sharing order on divorce – please see the latest versions of our guidance notes *The Local Government Pension Scheme (England and Wales): Application of a pension debit for divorced members. Transfer date before 1 April 2014 – Factors and Guidance,* and *The Local Government Pension Scheme (England and Wales): Application of a pension debit for divorced members. Transfer date from 1 April 2014 – Factors and Guidance*.

1.4   It is important to note that the process for adjusting cash equivalents to reflect a member's Guaranteed Minimum Pension (GMP) has changed in this guidance note.

1.5   The remainder of this introduction contains:

- details of the implementation and future review of this guidance,

- the relevant legislative references, and

- statements about third party reliance and liability

1.6   In the remainder of this note:

- Section 2 explains revisions to allow for full indexation of GMP being provided by the scheme for members reaching State Pension age after 6 April 2016.

- Section 3 of this note provides general guidance on the application of actuarial factors when calculating cash equivalents for divorce purposes.

- Section 4 contains instructions on how to calculate cash equivalents for divorce purposes for members who are already in receipt of benefits. Appendix B contains the factor tables to use for these calculations.

- Section 5 contains guidance and instructions on how to calculate cash equivalents for divorce purposes for active and deferred members. The factor tables to use for these calculations are set out in are set out in the latest version of our guidance note entitled *Local Government Pension Scheme (England and Wales): Incoming & Outgoing Transfers.*

- Section 6 sets out some of the special cases that might arise and how these should be processed.

- Section 7 contains some worked examples.

- Appendix A details the principal assumptions underlying the factor tables set out in this note.

- Appendix B contains the factor tables to use for calculations for members who are already in receipt of benefits.

- Appendix C sets out some important limitations.

Implementation and Review

1.7 The Secretary of State is required to consult with GAD before issuing actuarial guidance under Regulation 2(3) of The Local Government Pension Scheme Regulations 2013 (SI 2013/2356) ('the 2013 Regulations').

1.8 As part of this consultation, the Ministry for Housing, Communities and Local Government (MHCLG) has asked GAD to recommend actuarial guidance in respect of the regulations detailed below. This document forms GAD's recommendation for the actuarial guidance required by these regulations.

1.9 This note has effect only when this guidance is issued by the Secretary of State in accordance with Regulation 2(3) of the 2013 Regulations, and is subject to the implementation instructions provided at that time.

1.10 The guidance and factors provided in this Note have been prepared in light of our advice to MHCLG dated 30 October 2018 and its instructions following that advice.

1.11 This guidance is intended to supersede any factors or advice previously issued for the purposes of pensioner cash equivalent on divorce calculations, which rely on input from the scheme actuary. In particular, this guidance supersedes:

"Local Government Pension Scheme (England and Wales): Pension Sharing Following Divorce – Calculation of Cash Equivalents" dated 8 April 2011.

and

"Local Government Pension Scheme (England and Wales): Pensioner Cash Equivalent Factors on Divorce" dated 14 April 2016

1.12 Factors contained in this note apply from 30 October 2018. This implementation date has been determined by MHCLG. These factors are consistent with the non-club cash equivalent transfer value factors and pensioner cash equivalent factors implemented from 30 October 2018.

1.13 This guidance has been written for pension administrators and assumes some knowledge of general pension terminology, and some familiarity with retirement calculations for the Local Government Pension Scheme (England and Wales). Any questions concerning the application of the guidance should, in the first instance, be referred to MHCLG.

1.14   The factors contained in this guidance will be subject to review periodically. This will depend on external circumstances, for example whenever there is a change in the SCAPE basis; when changes in the actuarial assumptions adopted for other scheme factors take place; or following each future actuarial valuation where mortality and other relevant experience is reviewed or if other credible and material information comes to light.

Relevant legislative references

1.15   This note is designed to be consistent with the Welfare Reform and Pensions Act 1999 ('the Act') and associated regulations (principally the Pension Sharing (Implementation and Discharge of Liability) Regulations 2000 and the Pension Sharing (Valuation) Regulations 2000).

1.16   This note also makes allowance for the provisions under regulation 20 of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (SI 2014/525) ("The Transitional Regulations").

1.17   For divorce cases in Scotland, the cash equivalent calculated in accordance with this guidance is then adjusted in accordance with regulation 4 of the Divorce etc (Pensions) (Scotland) Regulations 2000 (SSI 2000/112) subject to any relevant case law, such as McDonald v McDonald [2017] UKSC 52.

Third Party Reliance

1.18   This guidance has been prepared for the use of the MHCLG and the scheme administrators for the purposes of demonstrating the application of the factors covered by this guidance only. This guidance may be published on MHCLG and scheme administrator's website but must not otherwise be reproduced, distributed or communicated in whole or in part to any other person without GAD's prior written permission.

1.19   Other than MHCLG and the scheme administrators, no person or third party is entitled to place any reliance on the contents of this guidance, except to any extent explicitly stated herein. GAD has no liability to any person or third party for any action taken or for any failure to act, either in whole or in part, on the basis of this guidance, whether or not GAD has agreed to the disclosure of its advice to the third party.

2   Adjustments for Guaranteed Minimum Pension

GMP equalisation: impact on calculations

2.1   The calculations and formulae in this guidance contain adjustments to reflect the inflationary increases on a member's Guaranteed Minimum Pension (GMP), which have historically been the responsibility of the State Scheme after GMP Pensionable Age.

2.2   In previous versions of this guidance, this GMP adjustment was applied to all cash equivalent calculations.

2.3   However, following the requirement to equalise GMPs, as set out in our letter *"GMP Equalisation: Calculations involving actuarial factors"* dated 20 December 2019:

> **GMP adjustment factors should no longer be applied in calculations for members who reach State Pension age (SPA) on or after 6 April 2016**

2.4   The cohorts of members who will be affected by this change will be:

- Males with a date of birth on or after 6 April 1951 and an accrued GMP
- Females with a date of birth on or after 6 April 1953 and an accrued GMP

2.5   For affected members listed above, calculations should be undertaken using the methodology set out in sections 3 to 6 of this guidance note but with any GMP (pre or post 1988) set to zero.

2.6   For the majority of affected calculations, the difference between the original and revised quotation is expected to be small, relative to the total transfer value. Not applying the GMP adjustment factors will increase the total transfer value.

2.7   For members who reached State Pension age before 6 April 2016, GMP adjustments should still be included in calculations as set out in sections 3 to 6 of this guidance.

3　Cash equivalents on divorce: general considerations

3.1　In any divorce proceedings dealing with the division of matrimonial assets, the parties are required to disclose to each other and to the Court, all their financial interests. This will include details relating to pension benefits that are shareable regardless of whether a pension sharing order will eventually be made.

3.2　The calculations set out in this note determine the value of pension rights for a member of the LGPS, as required for the divorce proceedings. If the other party in the divorce proceedings also has LGPS benefits, then separate valuation(s) are required in respect of those pension rights.

3.3　The calculations required and the factor tables used depend on the status of the member at the calculation date, including their age, gender, normal pension age and the date on which they will reach (or did reach) State Pension age.

3.4　For divorce cases in Scotland, the cash equivalent calculated in accordance with this guidance is then adjusted in accordance with regulation 4 of the Divorce etc (Pensions) (Scotland) Regulations 2000 (SSI 2000/112) subject to any relevant case law, such as McDonald v McDonald [2017] UKSC 52.

Calculation Date

3.5　There are two dates which are of relevance when determining a cash equivalent transfer value for divorce purposes: **Transfer day** and **Valuation day**.

3.6　Section 29(8) of the 1999 Act defines the **Transfer day** as the day on which the pension sharing order takes effect (The **Transfer day** is sometimes also referred to as the Effective date).

3.7　Section 29(7) of the 1999 Act defines **Valuation day** as a day within the Implementation Period for the discharge of the pension credit as the administering authority may specify by notice in writing to the transferor and transferee. Section 34(1) of the 1999 Act defines the implementation period as the four-month period that starts on the Transfer day, or if later, on the date the pension scheme has the prescribed information needed to implement the pension sharing order. (The **Valuation day** is sometimes referred to as the Implementation date).

3.8　The calculation of the cash equivalent should be based on the status of the member at the **Transfer day** i.e. whether they are an active, deferred or pensioner member at this date. The age and the benefits of the member should also be taken at this date, as described later.

3.9　If the calculation is being done after a pension sharing order has been made, the **calculation date** is the **Transfer day**, as defined above.

3.10　Where a calculation is being performed for quotation purposes, the **calculation date** should be taken at the date when a request was received.

Selection of factors

3.11   Factors should be selected with reference to the member's age last birthday and status i.e. whether they are an active, deferred or pensioner member at the **calculation date**, which should be determined in line with the section above. The benefits of the member should also be taken as at this date, as described later.

3.12   For calculations being completed after a pension sharing order has been made, there may be some time between the **calculation date** (which should be the day on which the relevant order or provision takes effect) and the **valuation day** date on which administrators process the calculation. In some cases, it's possible that different sets of factors will be in force on the two dates. In these circumstances, the set of factors that are in force on the day administrators process the calculation should be used. Individual factors should be selected from this factor set with reference to the member's or ex-partner's status and age last birthday at the **calculation date**, in the normal way.

Benefits to be valued

3.13   Full details of the benefits to be included in the calculation of cash equivalents for divorce purposes are set out in section 4, for members in receipt of scheme benefits, and in the latest version of our guidance note entitled *Local Government Pension Scheme (England and Wales): Incoming & Outgoing Transfers*, for active and deferred members.

3.14   It is important that the amount of all relevant benefits used in the calculation should be the amount taken immediately before the **calculation date**. This is necessary to fulfil the requirements set out in section 29 of the 1999 Act.

4 Calculation of cash equivalents for pensioners

4.1 Members already in receipt of benefits do not have an entitlement to a CETV, but one will still be required for the divorce proceedings. The pensioner cash equivalent value can be calculated using the method and factors in this note but *should be used for divorce purposes only*.

4.2 There are two sets of tables:

- Table 1 (Tables 301 and 302 in the consolidated factors workbook): Pensioners who retired on ordinary grounds

- Table 2 (Tables 303 and 304 in the consolidated factors workbook): Pensioners who retired on ill health grounds

4.3 The main difference between Table 1 and Table 2 is that Table 2 allows for the lower life expectancy experienced on average by those who retire due to ill health.

4.4 Table 2 should only be used for ill health pensioners under the age of 55 where full pension increases are payable in the period up to age 55. If, for any reason, pension increases are not payable to ill health pensioners before age 55 then the case should be referred to MHCLG for onward transmission to GAD.

Calculation

4.5 The pensioner cash equivalent should be calculated as follows:

$$\text{CETV} = [(P \times F_P) + (SUR \times F_S) - (NI \times F_{NI}) - (GMP_{PRE} + 0.15 \times GMP_{POST}) \times F_{GMP}]$$

Where:	
P	Current member's pension in payment at the Calculation date (see below)
SUR	Contingent survivor's pension at the Calculation date (see below)
NI	National Insurance modification, where applicable
GMP_{PRE}	***For members with a State Pension Age before 6 April 2016:*** Annual GMP accrued before 6 April 1988, including revaluation and increments to the Calculation date.
GMP_{POST}	***For members with a State Pension Age before 6 April 2016:*** Annual GMP accrued after 6 April 1988, including revaluation and increments to the Calculation date.
F_P	Gross pension factor, which can be looked up in Tables 1.1, 1.2, 2.1 or 2.2.
F_S	Contingent survivor's pension factor, which can be looked up in Tables 1.1, 1.2, 2.1 or 2.2.
F_{NI}	National insurance modification factor, which can be looked up in Tables 1.1, 1.2, 2.1 or 2.2.

F_{GMP} Factor for GMP, which can be looked up in Tables 1.1, 1.2, 2.1 or 2.2.

4.6   The status and age of the member should be taken at the calculation date (see 3.11).

Member Pension benefits

4.7   The member's pension should be the amount of pension in payment, or assumed to be in payment (if the member was not an actual pensioner member at the calculation date but is entitled to immediate benefits at transfer day, see 5.5 below). The last pension increase should be that awarded up to and including the April increase immediately before the calculation date.

4.8   A pensioner member at the calculation date who is under age 55, and who retired on grounds other than ill health, will not receive any pension increases until age 55. In these cases, factors will be provided by GAD on request.

4.9   For the subset of members who reached State Pension age before 6 April 2016 and have an accrued Guaranteed Minimum Pension (GMP), the cash equivalent needs to be adjusted to reflect increases on the GMP that are the responsibility of the State. Further details are set out in Section 2. For these members, separate pre and post 1988 GMP figures need to be used. The amounts to use are the current annual amounts of GMP in payment at the calculation date. No adjustment should be applied to the cash equivalent for any other members.

4.10   If the member is over State Pension Age (SPA), and has a National Insurance modification, the pension used should be that after the deduction of the modification, but see paragraph 4.14 and 4.15 of this guidance note for details of further adjustments required.

4.11   If the member's pension is reduced due to abatement or suspension due to reemployment, then the abatement reduction should be ignored for the purpose of this calculation. Benefits should be calculated as though the member had ceased reemployment on the date of calculation and valued accordingly.

Partner benefits used in the calculations

4.12   The partner's pension should be the annual rate which would be payable if the member died on the calculation date. For this purpose of divorce proceedings, MHCLG have confirmed that the survivor's benefits should be determined as the rate payable to a survivor of a post exit marriage or partnership of the same type as the relationship being dissolved.

Dependant pensioners

4.13   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.

National Insurance modification

4.14 An adjustment may be needed for National Insurance modification. This will apply where the member had membership before 1 April 1980, left membership prior to April 1998 and is under State Pension Age (SPA).

4.15 The amount of modification should be expressed as an annual amount, and increased in line with the pension increases awarded between leaving and the April prior to the date of calculation inclusive. The relevant factor from Table 1 or Table 2 should be applied to that amount.

Tier 3 Ill-health pension cases

4.16 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.

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

Cash Equivalent (divorce – ill-health Tier 3) = (0.2 x N) + (0.8 x O) + (0.8 x P)

Where:

N   Value of Tier 2 benefits using formulae in 4.5 above 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.

O   Value of remaining Tier 3 benefits as:

Current Tier 3   x   number of (possible) years remaining
annual pension   (in years and complete months).

Capped at the period to normal retirement age.

P   Value of deferred benefits assuming member does not progress to Tier 2 benefits using CETV guidance for deferred members based on actual benefits that will be payable from deferred retirement (not the Tier 3 benefits currently payable).

5 Calculation of cash equivalents for actives or deferreds

5.1 The calculations for an active or deferred member will depend upon whether or not the member could have drawn benefits for a period of service without actuarial reduction or employer consent on the Calculation date.

5.2 If the member could not have voluntarily retired with immediate payment of unreduced benefits at the Calculation date then the benefits should be valued in accordance with the current CETV guidance (i.e. non-Club transfer out), based on the member's status, age and benefits at the Calculation date even if the member is not normally entitled to a transfer value. 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 the Calculation date.

5.3 Please refer to the latest guidance note *Local Government Pension Scheme (England and Wales): Individual Incoming & Outgoing Transfers* for the calculation formulae and the factor tables to use as well as for a summary of the earliest ages at which members can draw benefits for different periods of service.

5.4 For the avoidance of doubt, separate calculations should be done where a member has benefits with different pension ages and the resultant answers added together to give the total cash equivalent.

5.5 If the member could have voluntarily retired with immediate payment of unreduced benefits i.e. with no actuarial reduction on the Calculation date:

5.5.1 For both active and deferred members, the divorce CETV is calculated as if that the member had retired on the day immediately before the Calculation date and was therefore in receipt of retirement benefits from the Calculation date. It should be assumed that no pension is commuted for a lump sum. Where a member is over age 65, or for benefits accrued after 1 April 2014 their State Pension Age (SPA), the pension and retirement grant used in the calculation should include late retirement uplifts as set out in the guidance *Local Government Pension Scheme (England and Wales): Late Retirement*.

5.5.2 In 5.5.1, 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 this guidance document. The actual future date of the member's (planned) retirement in practice is of no relevance to this calculation.

5.5.3 The calculation is based on the member's age, assumed status and benefits at the Calculation date. Separate calculations may be required for members with period of service with different NPAs, which should be totalled to give the final cash equivalent.

5.5.4 Benefits not yet in payment should be increased in line with the current guidance on late retirements.

5.6   If the member could have voluntarily retired with immediate payment of unreduced benefits but only for part of their benefits on the Calculation date, 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 4.5. Other benefits should be valued in accordance with paragraph 5.2. The cash equivalent (for divorce purposes) is the sum of the values of all the various elements of benefit.

6 Special cases

Deferred pensioners receiving GMP

6.1 Deferred pensioners could potentially be in receipt of only GMPs at the Calculation date, with the remainder of their pension benefits to come into payment at a later date. These cases should be referred to MHCLG for onward transmission to GAD.

Flexible Retirement

6.2 Some pensioners may have taken flexible retirement and remain contributing to the pension scheme whilst also receiving a pension.

6.3 If such a member requests a CETV for the purposes of divorce proceedings, 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 see section 5 of this guidance document.

- The cash equivalent (for divorce purposes) is the sum of all the elements above.

Members with two or more separate employments

6.4 Separate cash equivalents should be calculated for a divorcing member with two or more separate LGPS scheme employments that have not been aggregated. A cash equivalent should be calculated for each separate benefit and added together to give the total cash equivalent.

Members with one or more existing pension debits or pension offsets

6.5 Where a member has one or more pension debits resulting from divorce, and/or one or more pension offsets resulting from any "Scheme Pays" elections, the transfer value calculation is calculated in two stages:

1. First, the gross cash equivalent should be calculated ignoring all pension debits and pension offsets.

2. Second, the value of each pension debit and/or pension offset should be calculated (i.e. the transfer value of a deferred pension of the same amount as the pension offset payable from PA65 or NPA as appropriate).

6.6 The transfer value quoted and paid is the net amount i.e. the gross transfer value calculated in stage one, less the value of all the pension debits and pension offsets calculated in stage two.

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7   Examples

Example 1: Divorce cash equivalent calculation for a Pensioner with GMP and who reached SPA before 6 April 2016

Member data:

Date of birth:	1 October 1950
Sex:	Male
State Pension Age reached on:	1 October 2015
Transfer day/Calculation date:	1 April 2020
Member's age at Transfer day:	69
Pensioner type:	Normal Health

Pension benefits

Benefit	Amount
Member's pension **(P)**	£6,000 pa
Contingent survivor's pension **(SUR)**	£3,000 pa
Pre-88 GMP **(GMP$_{PRE}$)**	£80 pa *
Post-88 GMP **(GMP$_{POST}$)**	£300 pa *
National Insurance modification (NI)	£0 pa

* This member reached State Pension Age before 6 April 2016 <u>and</u> has an accrued GMP. In line with section 2 of this guidance, a GMP adjustment should be applied to the calculation.

Factors

Pensioner Factors (Male aged 69 last birthday at Transfer day)

Gross pension factor – Table 1.1	F_P	15.69
Contingent survivor's factor – Table 1.1	F_S	1.85
GMP Factor – Table 1.1	F_{GMP}	2.87
Conversion factor for Pre-88 GMP – Table 1.1 footnote	$F_{GMP-PRE88}$	1.00
Conversion factor for Post-88 GMP – Table 1.1 footnote	$F_{GMP-POST88}$	0.15
NI modification factor – Table 1.1	F_{NI}	N/A

(Table 1.1 is 0-301 in the consolidated factor workbook.)

Divorce CETV for a Pensioner:

CETV = [(P x F_P) + (SUR x F_S) – (NI x F_{NI}) – (GMP$_{PRE}$ x $F_{GMP-PRE88}$ + GMP$_{POST}$ x $F_{GMP-POST88}$) x F_{GMP}

= [(£6,000.00 x 15.69) + (£3,000.00 x 1.85) – (£0.00 x 0.00) – (£80.00 x 1.00 + £300.00 x 0.15) x 2.87]

= [£94,140.00 + £5,550.00 – £0.00 – £358.75]

= **£99,331.25**

Example 2: Divorce cash equivalent calculation - Female (ill health) pensioner who has GMP and will reach SPA after 6 April 2016

Member data:

Date of birth:	1 October 1964
Sex:	Female
Transfer day/Calculation date:	1 October 2020
State Pension Age reached on:	1 October 2031
Member's age at Transfer day:	56
Pensioner type:	Ill Health

Pension benefits at leaving service

Benefit	Amount
Member's pension **(P)**	£5,600 pa
Contingent survivor's pension **(SUR)**	£2,800 pa
Pre-88 GMP **(GMP$_{PRE}$)**	N/A*
Post-88 GMP **(GMP$_{POST}$)**	N/A*
National Insurance modification **(NI)**	£0 pa

This member will reach State Pension Age on or after 6 April 2016. In line with section 2 of this guidance, GMP should be set to zero and no GMP adjustment should be applied to the calculation.

Factors

Pensioner Factors (Female aged 56 last birthday at Transfer day)

Gross pension factor – Table 2.2	F_P	19.74
Contingent survivor's factor – Table 2.2	F_S	3.14
GMP Factor – Table 2.2	F_{GMP}	2.44
Conversion factor for Pre-88 GMP – Table 2.2 footnote	$F_{GMP-PRE88}$	1.00
Conversion factor for Post-88 GMP – Table 2.2 footnote	$F_{GMP-POST88}$	0.15
NI modification factor – Table 2.2	F_{NI}	12.05

(Table 2.2 is 0-304 in the consolidated factor workbook.)

Divorce CETV for a Pensioner:

CETV = [(P x F$_P$) + (SUR x F$_S$) – (NI x F$_{NI}$) – (GMP$_{PRE}$ x F$_{GMP-PRE88}$ + GMP$_{POST}$ x F$_{GMP-POST88}$) x F$_{GMP}$

> = [(£5,600.00 x 19.74) + (£2,800.00 x 3.14) – (£0.00 x 12.05) – (£0.00 x 1.00 + £0.00 x 0.15) x 2.44]
>
> = [£110,544.00 + £8,792.00 – £0.00 – £0.00]
>
> = **£119,336.00**

Example 3: Divorce cash equivalent calculation for a Member who has taken flexible retirement

The member has a pre-2014 LGPS pension in payment (benefit 1) and also 2014 LGPS benefits (benefit 2) still accruing (but is entitled to immediate benefits). Cash equivalents are calculated for benefit 1 and benefit 2 and added together to give the total cash equivalent.

Member data:

Date of birth:	18 August 1953
Sex:	Male
Transfer day/Calculation date:	15 April 2020
State Pension Age reached on:	18 August 2018
Member's age at last birthday:	66
Pensioner type:	Normal Health

Pension benefits for Benefit 1 (pre-2014 benefits in payment)

Benefit	Amount
Member's pension **(P$_1$)**	£5,600 pa
Contingent survivor's pension **(SUR$_1$)**	£2,550 pa
Pre-88 GMP **(GMP$_{PRE}$)**	N/A*
Post-88 GMP **(GMP$_{POST}$)**	N/A*
National Insurance modification **(NI)**	£0 pa

* This member will reach State Pension Age on or after 6 April 2016. In line with section 2 of this guidance, no GMP adjustment should be applied to the calculation.

Factors

Pensioner Factors (Male aged 66 last birthday at Transfer day)

Gross pension factor – Table 1.1	F$_P$	17.47
Contingent survivor's factor – Table 1.1	F$_S$	1.95
GMP Factor – Table 1.1	F$_{GMP}$	3.38
Conversion factor for Pre-88 GMP – Table 1.1 footnote	F$_{GMP-PRE88}$	1.00
Conversion factor for Post-88 GMP – Table 1.1 footnote	F$_{GMP-POST88}$	0.15
NI modification factor – Table 1.1	F$_{NI}$	N/A

(Table 1.1 is 0-301 in the consolidated factor workbook.)

Divorce CETV for a Pensioner (Benefit 1):

CETV = [(P$_1$ x F$_P$) + (SUR$_1$ x F$_S$) – (NI x F$_{NI}$)
      – (GMP$_{PRE}$ x F$_{GMP-PRE88}$ + GMP$_{POST}$ x F$_{GMP-POST88}$) x F$_{GMP}$

$$= [(£5,600.00 \times 17.47) + (£2,550.00 \times 1.95) - (£0.00 \times 0.00)$$
$$- (£0.00 \times 1.00 + £0.00 \times 0.15) \times 3.38]$$

$$= [£97,832.00 + £4,972.50 - £0.00 - £0.00]$$

= £102,804.50

Pension benefits for Benefit 2 (post-2014 benefits still accruing)

Benefit	Amount
Member's pension (P_2)	£1,600 pa
Contingent survivor's pension (SUR_2)	£490 pa

Factors

Pensioner Factors (Male aged 66 last birthday at Transfer day)

Gross pension factor – Table 1.1 (Non-Club CETV factors for male with NPA of 65)	F_P	17.47
Contingent survivor's factor – Table 1.1 (Non-Club CETV factors for male with NPA of 65)	F_S	1.95
Late retirement increase applying to benefits as 605 days have elapsed since the member reached NPA to the date before the transfer day (197 days on or after 1 October 2019)	F_{Late}	1.0605

(Table 1.1 is 0-301 in the consolidated factor workbook.)

Divorce CETV for a Pensioner (Benefit 2):

First uplift the member benefits for the late retirement applying had the member retired the day before the transfer day/calculation date. Refer to the latest guidance note *Local Government Pension Scheme (England and Wales): Late retirement* for the calculation formulae and the factor tables to use:

Uplifted Member pension $(P_U) = P_2$ x F_{Late}

$$= £1,600.00 \times 1.0605$$

$$= £1,696.80$$

$CETV = [(P_U$ x $F_P) + (SUR_2$ x $F_S) - (NI$ x $F_{NI})$
$- (GMP_{PRE}$ x $F_{GMP\text{-}PRE88} + GMP_{POST}$ x $F_{GMP\text{-}POST88}) $ x $F_{GMP}]$

Benefit 2: CE	$= [(£1,696.80 \times 17.47) + (£490.00 \times 1.95)]$
	= £30,598.60

Total CE	$= [£102,804.50 + £30,598.60]$
	= £133,403.10

Appendix A: Assumptions underlying factors

Financial assumptions

Nominal discount rate	4.448%
CPI	2.00%
Real discount rate (in excess of CPI)	2.40%

Mortality assumptions

Base mortality tables and adjustments – normal health	101% of S2NMA (Males) and 92% of S2NFA (Females) (as per 2016 valuation)
Base mortality tables and adjustments – ill health	107% of S2IMA (Males) and 106% of S2IFA (Females) (as per 2016 valuation)
Base mortality tables and adjustments – dependants	132% of S2NMA (Males) and 106% of S2NFA (Females) (as per 2016 valuation)
Future mortality improvement	Based on ONS principal UK population projections 2016
Year of Use	2020

Other assumptions

Proportion of male members for unisex factors	35%
Proportion partnered	N/A
Age difference between member and partner	Males assumed 3 years older than partner. Females assumed 2 years younger than partner.
Allowance for commutation	Nil except for mandatory lump sum cases

Appendix B: Factor tables

Table 1.1 (Table 301 in consolidated factors workbook) – 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	22.89	1.82	3.30	12.25
56	22.44	1.84	3.32	12.61
57	21.98	1.85	3.33	12.98
58	21.52	1.87	3.35	13.36
59	21.04	1.88	3.36	13.76
60	20.56	1.90	3.38	14.18
61	20.08	1.91	3.40	14.62
62	19.59	1.92	3.43	15.08
63	19.09	1.93	3.45	15.57
64	18.58	1.94	3.55	16.08
65	18.04	1.94	3.56	
66	17.47	1.95	3.38	
67	16.88	1.95	3.21	
68	16.29	1.95	3.04	
69	15.69	1.85	2.87	
70	15.08	1.74	2.71	
71	14.47	1.73	2.54	
72	13.87	1.72	2.38	
73	13.26	1.71	2.22	
74	12.67	1.59	2.07	
75	12.08	1.47	1.92	
76	11.51	1.45	1.77	
77	10.93	1.42	1.64	
78	10.36	1.40	1.50	
79	9.80	1.25	1.37	
80	9.24	1.10	1.25	
81	8.69	1.07	1.13	
82	8.15	1.03	1.01	
83	7.62	1.00	0.90	
84	7.10	0.86	0.80	

Table 1.1 (Table 301 in consolidated factors workbook) – 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	6.61	0.71	0.70	
86	6.13	0.68	0.61	
87	5.68	0.65	0.53	
88	5.26	0.62	0.45	
89	4.87	0.49	0.39	
90	4.51	0.37	0.33	
91	4.16	0.35	0.29	
92	3.85	0.32	0.24	
93	3.55	0.30	0.21	
94	3.28	0.28	0.18	
95	3.04	0.26	0.15	
96	2.82	0.24	0.13	
97	2.63	0.22	0.11	
98	2.47	0.20	0.10	
99	2.32	0.19	0.08	
100	2.19	0.17	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

Table 1.2 (Table 302 in consolidated factors workbook) – 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	22.89	1.82	2.92	13.35
56	22.44	1.84	2.93	13.74
57	21.98	1.85	2.95	14.15
58	21.52	1.87	2.96	14.57
59	21.04	1.88	3.04	15.01
60	20.56	1.90	3.15	15.47
61	20.08	1.91	3.24	15.94
62	19.59	1.92	3.33	16.44
63	19.09	1.93	3.43	16.95
64	18.58	1.94	3.53	17.49
65	18.04	1.94	3.50	
66	17.47	1.95	3.33	
67	16.88	1.95	3.16	
68	16.29	1.95	3.00	
69	15.69	1.85	2.84	
70	15.08	1.74	2.67	
71	14.47	1.73	2.52	
72	13.87	1.72	2.36	
73	13.26	1.71	2.21	
74	12.67	1.59	2.06	
75	12.08	1.47	1.92	
76	11.51	1.45	1.78	
77	10.93	1.42	1.65	
78	10.36	1.40	1.52	
79	9.80	1.25	1.39	
80	9.24	1.10	1.27	
81	8.69	1.07	1.16	
82	8.15	1.03	1.05	
83	7.62	1.00	0.94	
84	7.10	0.86	0.84	

Table 1.2 (Table 302 in consolidated factors workbook) – 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	6.61	0.71	0.75	
86	6.13	0.68	0.67	
87	5.68	0.65	0.59	
88	5.26	0.62	0.52	
89	4.87	0.49	0.46	
90	4.51	0.37	0.41	
91	4.16	0.35	0.36	
92	3.85	0.32	0.31	
93	3.55	0.30	0.28	
94	3.28	0.28	0.24	
95	3.04	0.26	0.21	
96	2.82	0.24	0.18	
97	2.63	0.22	0.16	
98	2.47	0.20	0.14	
99	2.32	0.19	0.12	
100	2.19	0.17	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

Table 2.1 (Table 303 in consolidated factors workbook) – Males (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
20	29.01	4.34	2.24	3.52
21	28.81	4.34	2.25	3.62
22	28.62	4.34	2.26	3.72
23	28.42	4.33	2.26	3.83
24	28.23	4.32	2.27	3.93
25	28.03	4.31	2.28	4.05
26	27.83	4.30	2.29	4.16
27	27.63	4.28	2.30	4.28
28	27.44	4.25	2.31	4.40
29	27.24	4.22	2.32	4.53
30	27.05	4.19	2.33	4.66
31	26.86	4.15	2.34	4.80
32	26.66	4.11	2.35	4.94
33	26.46	4.06	2.37	5.09
34	26.26	4.02	2.38	5.25
35	26.05	3.97	2.40	5.41
36	25.84	3.93	2.41	5.59
37	25.63	3.88	2.43	5.77
38	25.41	3.82	2.45	5.95
39	25.18	3.77	2.47	6.15
40	24.95	3.72	2.49	6.35
41	24.71	3.67	2.51	6.56
42	24.46	3.62	2.53	6.77
43	24.19	3.57	2.55	6.99
44	23.92	3.52	2.57	7.22
45	23.63	3.48	2.59	7.45
46	23.34	3.44	2.61	7.69
47	23.03	3.41	2.63	7.93
48	22.70	3.37	2.64	8.17
49	22.37	3.34	2.66	8.43
50	22.02	3.31	2.68	8.69
51	21.67	3.28	2.69	8.96
52	21.30	3.25	2.71	9.24
53	20.92	3.22	2.73	9.53
54	20.54	3.20	2.75	9.84
55	20.14	3.17	2.78	10.16
56	19.74	3.14	2.80	10.50
57	19.33	3.11	2.83	10.86
58	18.91	3.08	2.85	11.23
59	18.48	3.05	2.89	11.63

Table 2.1 (Table 303 in consolidated factors workbook) – Males (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
60	18.04	3.02	2.92	12.06
61	17.59	2.99	2.96	12.51
62	17.13	2.96	3.00	13.00
63	16.66	2.93	3.04	13.51
64	16.17	2.90	3.16	14.07
65	15.68	2.87	3.17	
66	15.18	2.84	3.02	
67	14.66	2.81	2.87	
68	14.15	2.78	2.72	
69	13.62	2.60	2.57	
70	13.09	2.41	2.42	
71	12.56	2.38	2.27	
72	12.02	2.34	2.13	
73	11.49	2.30	1.99	
74	10.95	2.11	1.85	
75	10.42	1.93	1.72	
76	9.89	1.88	1.60	
77	9.37	1.83	1.47	
78	8.86	1.78	1.36	
79	8.35	1.57	1.25	
80	7.86	1.36	1.14	
81	7.38	1.31	1.03	
82	6.91	1.26	0.93	
83	6.45	1.20	0.83	
84	6.02	1.02	0.74	
85	5.60	0.84	0.65	
86	5.21	0.79	0.57	
87	4.84	0.75	0.50	
88	4.51	0.70	0.44	
89	4.20	0.55	0.38	
90	3.91	0.41	0.33	
91	3.65	0.38	0.28	
92	3.40	0.35	0.25	
93	3.17	0.33	0.21	
94	2.95	0.30	0.18	
95	2.75	0.28	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

Table 2.2 (Table 304 in consolidated factors workbook) – 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	29.01	4.34	2.05	4.11
21	28.81	4.34	2.05	4.22
22	28.62	4.34	2.06	4.34
23	28.42	4.33	2.06	4.46
24	28.23	4.32	2.07	4.58
25	28.03	4.31	2.07	4.71
26	27.83	4.30	2.08	4.84
27	27.63	4.28	2.08	4.98
28	27.44	4.25	2.09	5.12
29	27.24	4.22	2.10	5.27
30	27.05	4.19	2.11	5.43
31	26.86	4.15	2.12	5.59
32	26.66	4.11	2.13	5.75
33	26.46	4.06	2.14	5.93
34	26.26	4.02	2.15	6.10
35	26.05	3.97	2.16	6.29
36	25.84	3.93	2.17	6.48
37	25.63	3.88	2.18	6.68
38	25.41	3.82	2.19	6.89
39	25.18	3.77	2.20	7.10
40	24.95	3.72	2.22	7.32
41	24.71	3.67	2.23	7.55
42	24.46	3.62	2.24	7.79
43	24.19	3.57	2.25	8.03
44	23.92	3.52	2.27	8.28
45	23.63	3.48	2.28	8.53
46	23.34	3.44	2.29	8.80
47	23.03	3.41	2.30	9.07
48	22.70	3.37	2.31	9.35
49	22.37	3.34	2.33	9.64
50	22.02	3.31	2.34	9.95
51	21.67	3.28	2.36	10.26
52	21.30	3.25	2.37	10.59
53	20.92	3.22	2.39	10.94
54	20.54	3.20	2.40	11.29
55	20.14	3.17	2.42	11.66
56	19.74	3.14	2.44	12.05
57	19.33	3.11	2.46	12.45
58	18.91	3.08	2.47	12.87
59	18.48	3.05	2.55	13.31

Table 2.2 (Table 304 in consolidated factors workbook) – 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	18.04	3.02	2.65	13.77
61	17.59	2.99	2.74	14.24
62	17.13	2.96	2.82	14.74
63	16.66	2.93	2.92	15.27
64	16.17	2.90	3.01	15.82
65	15.68	2.87	2.99	
66	15.18	2.84	2.84	
67	14.66	2.81	2.69	
68	14.15	2.78	2.54	
69	13.62	2.60	2.40	
70	13.09	2.41	2.25	
71	12.56	2.38	2.11	
72	12.02	2.34	1.98	
73	11.49	2.30	1.85	
74	10.95	2.11	1.72	
75	10.42	1.93	1.60	
76	9.89	1.88	1.48	
77	9.37	1.83	1.37	
78	8.86	1.78	1.27	
79	8.35	1.57	1.17	
80	7.86	1.36	1.07	
81	7.38	1.31	0.98	
82	6.91	1.26	0.90	
83	6.45	1.20	0.82	
84	6.02	1.02	0.74	
85	5.60	0.84	0.67	
86	5.21	0.79	0.61	
87	4.84	0.75	0.55	
88	4.51	0.70	0.50	
89	4.20	0.55	0.45	
90	3.91	0.41	0.41	
91	3.65	0.38	0.37	
92	3.40	0.35	0.34	
93	3.17	0.33	0.30	
94	2.95	0.30	0.27	
95	2.75	0.28	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

Appendix C: Limitations

C.1   This guidance should not be used for any purpose other than those set out in this guidance.

C.2   The factors contained in this guidance are subject to regular review. Scheme managers and administrators need to ensure that they are using the latest factors, as relevant, when processing cases.

C.3   Advice provided by GAD must be taken in context and is intended to be considered in its entirety. Individual sections, if considered in isolation, may be misleading, and conclusions reached by a review of some sections on their own may be incorrect. GAD does not accept responsibility for advice that is altered or used selectively. Clarification should be sought if there is any doubt about the intention or scope of advice provided by GAD.

C.4   This guidance only covers the actuarial principles around the calculation and application of pensioner cash equivalent on divorce factors. Any legal advice in this area should be sought from an appropriately qualified person or source.

C.5   Scheme managers and administrators should satisfy themselves that pensioner cash equivalent on divorce calculations and benefit awards comply with all legislative requirements including, but not limited to, tax and contracting-out requirements.

C.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 MHCLG and GAD. Under no circumstances should this guidance take precedence over the Regulations. Administrators should ensure that they comply with all relevant Regulations.