Government Actuary's Department

Local Government Pension Scheme (England and Wales)

Application of a pension debit for divorced members

Transfer date from 1 April 2014

Guidance note

3 July 2024
Garth Foster FIA
Louise Harker FFA

Contents

1 Introduction **1**

2 Background information and definitions **4**

3 Calculation of pension debits on divorce **6**

4 Application of pension debits at retirement **11**

5 Examples **13**

Appendix A: Assumptions underlying factors **23**

Appendix B: Limitations **24**

1 Introduction

1.1 The Secretary of State for Levelling Up, Housing and Communities is required under the Local Government Pension Scheme Regulations 2013 ('the 2013 Regulations') (SI 2013/2356) to issue guidance in respect of the Local Government Pension Scheme on the debit applied to a member's pension due to pension sharing on divorce.

1.2 The purpose of this note is to provide the Secretary of State with factors to be used to calculate the pension debit applicable following the implementation of a Pension Sharing Order and accompanying guidance to demonstrate how these factors should be applied.

1.3 It should only be used when the Transfer day is on or after 1 April 2014. Where the Transfer day is earlier, the case should be dealt with according to the pre-2014 guidance.

1.4 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.

1.5 In the remainder of this note:

- The second section provides background information and states various definitions
- The third and fourth sections describe the calculation and application of the pension debit
- The fifth section provides some worked examples
- Appendix A sets out the principal assumptions underlying the factors in effect at the date of this note
- Appendix B sets out some important limitations

1.6 This guidance has been carried out in accordance with the applicable Technical Actuarial Standards: TAS 100 issued by the Financial Reporting Council (FRC). The FRC sets technical standards for actuarial work in the UK.

Implementation and Review

1.7 The Secretary of State is required to consult with GAD before issuing actuarial guidance under the 2013 Regulations (Regulation 2(3) of the 2013 Regulations).

1.8 As part of this consultation, the Department for Levelling Up, Housing and Communities (DLUHC) 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 This note contains no factor tables, these can be found in the latest LGPS (England and Wales) consolidated factor workbook in the 314 to 317 tables.

1.11 This guidance replaces the previous guidance dated 11 June 2020 and has been updated to set out the additional calculations required for eligible members where a statutory underpin applies.

1.12 This guidance has been written for pension administrators and assumes knowledge of general pension terminology, and some familiarity with pension 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 GAD, via DLUHC.

1.13 Factors 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.

Regulatory legislative references

1.14 This guidance 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).

1.15 Regulation 20(3) of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (SI 2014/525) ('the 2014 Scheme Transitional Regulations') states that, where a Pension Sharing Order requires a pension debit in respect of a percentage a member's pension benefits, the debit shall be calculated in accordance with actuarial guidance issued by the Secretary of State.

1.16 Regulations 23(6)(c) and 23(9) of the 2013 Regulations states that the appropriate administering authority shall reduce the balance in an active member's account to reflect the reduction in the member's rights, calculated in accordance with actuarial guidance issued by the Secretary of State.

1.17 Regulation 24(10), Regulation 23(6)(c) and Regulation 23(9) of the 2013 Regulations provide for the appropriate administering authority to reduce the balance in a deferred member's account to reflect the reduction in the member's rights due to a pension debit, calculated in accordance with actuarial guidance issued by the Secretary of State.

1.18 Regulations 25(5)(a) and 26(5)(b) of the 2013 Regulations provide for the appropriate administering authority to reduce the balance in the retirement accounts of a member to reflect the reduction in the member's rights due to a pension debit, calculated in accordance with actuarial guidance issued by the Secretary of State

1.19 Regulation 52(1) of the 2013 Regulations states that administering authorities shall have regard to guidance issued by the Secretary of State as to the reduction of benefits payable in consequence of a pension debit created under Section 29(1)(a) of the Act.

Third party reliance

1.20 This guidance has been prepared for the use of DLUHC 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 DLUHC and the 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.

1.21 Other than DLUHC 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 Background information and definitions

Background

2.1 Where a pension sharing order is issued by the Court, the former partner (the "pension credit" member) is allocated a percentage (up to 100%) of the member's benefits. The member's benefits are reduced accordingly, and the pension credit member will hold benefits in their own right, independent of the scheme member.

2.2 The member's benefits will be reduced by the percentage allocated to the pension credit member This reduction is known as a 'pension debit'.

2.3 The general principle is that the savings to the LGPS arising from the pension debits are used to provide actuarially equivalent benefits to the pension credit member.

2.4 No partner's benefits will be payable to the member's ex-partner who was party to the divorce resulting in the pension sharing order (except in the event that the member entered into a new qualifying partnership with his or her ex-partner).

2.5 The methodology and instructions described in this note can be adopted and applied in respect of benefits for Councillor members.

Definitions

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

2.7 **Appropriate percentage** is the percentage of the member's benefits that the ex-partner will be entitled to. At times, most commonly for divorces in England and Wales, the pension sharing order will specify the appropriate percentage.

2.8 At other times, most commonly under Scots law, the pension sharing order will specify a monetary amount ('MA'). In this case, the appropriate percentage for the pension debit should be calculated as the ratio of the specified monetary amount and the cash equivalent ('CE') of the member's benefits based on the member's total service at the Transfer day:

appropriate percentage = (MA ÷ CE) x 100%

In other cases, most commonly for divorces in England and Wales, the pension sharing order will specify the appropriate percentage.

2.9 **Implementation period** is 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 (Section 34(1) of the Act).

2.10 **Valuation day** is a day within the implementation period specified by the administering authority by notice in writing to the pension debit member and pension credit member (Section 29(7) of the Act). The Valuation day is sometimes referred to as the Implementation date or the Calculation date.

2.11 The calculation of the pension debit 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 amount of benefits which the member is entitled to should also be taken at the Transfer day. This approach is consistent with the calculation of the cash equivalent which assumes that the member left service on the day immediately before the Transfer day.

2.12 In cases where the status of a member changes between the Transfer day and the Valuation day, paragraph 2.11 above still applies. For the avoidance of doubt, this may lead to cases where benefits need to be clawed back by the administering or employing authority. For example, the retirement grant paid to a member who is active on the Transfer day but a pensioner on the Valuation day should be reduced even though it has already been paid because the member was active on the Transfer day. If authorities require any assistance with such cases then these cases could be referred to GAD, via DLUHC.

2.13 **Retirement age**, for a given tranche of benefits, is the earliest age from which the member can take those benefits unreduced without consent.

3 Calculation of pension debits on divorce

3.1 This section sets out the methodology for calculating the pension debit to be applied to the member's benefits following the issue of a pension sharing order by the Court.

3.2 This guidance applies where the transfer date is **after 1 April 2014**.

3.3 In principle a debit should be calculated for all benefits and tranches of benefit allowed for in the divorce cash equivalent calculation.

Calculation of pension debits

3.4 The debit should be calculated as

Debit = Benefit accrued as at Transfer day x Appropriate percentage

3.5 Separate debits should be determined for each of the following benefits:

- Member pension (accrued pension and/or pension in payment as at the Transfer day)
- Partner's pension (this should be that amount payable to the partner of a post-exit marriage)
- Retirement Grant (but not if this was paid before the Transfer day)
- GMP (pre and post 88 separately).

3.6 Where a member is eligible for benefits under the statutory underpin, then allowance should be made in the debit applied to the Member pension and Partner's pension above. Further details are set out in paragraphs 3.12 to 3.21 below.

3.7 Debits for separate periods of accrual should be recorded separately if different retirement ages could apply (e.g. pre 2008, 2008 to 2014, 2014 to 2016, 2016 to 2020, 2020 to 2022 and post 2022). Unless specified otherwise in the sharing order, the same appropriate percentage should be applied to each period of accrual in the scheme up to the Transfer day.

3.8 For the avoidance of doubt, debits do not apply to:

- Children's contingent pensions
- Death grant on death in service.

Additional voluntary contributions

3.9 Where the member has purchased added years of service or additional pension, the pension debit will apply to added years of service or additional pension purchased up to the Transfer day. These benefits will be treated in the same way as main scheme benefits.

3.10 If the member has a Money Purchase AVC fund at the Transfer day, then the pension debit at the Transfer day in respect of the Money Purchase AVCs is the appropriate percentage times the value of the fund at the Transfer day.

3.11 If the other party to the debit order transfers their share from the AVC fund then the application of any further debit is unnecessary. Otherwise, new money invested in the AVC fund should be invested and recorded separately from the fund available at Transfer day (the 'shareable fund'). The pension debit at retirement is the appropriate percentage times the value of the shareable fund at retirement.

Statutory underpin (active or deferred members)

3.12 For an active or deferred member who is eligible for the statutory underpin, the following additional steps should be taken to determine the additional debit to be applied to the member pension and corresponding partner's pension in respect of the statutory underpin.

3.13 These steps should be followed for all active and deferred members. Where an active or deferred member is over their CRA/NPA for all or part of their benefits, the member and partner pension amounts to which the Appropriate percentage is applied should not include any final guarantee amount or survivor's guarantee amount, as allowance for the statutory underpin will be through the separate underpin debit below.

3.14 The debit in respect of the statutory underpin should be treated as if it were a 2020-2022 pension debit and therefore stored against the 2020-2022 debit tranche. If a member does not have any benefits in the 2020-2022 tranche, then the debit should be stored in the latest tranche in which the member has benefits in the 2014 to 2022 period (i.e. either the 2014 to 2016 or 2016 to 2020 tranche).

3.15 The calculation required to determine the annual debit amount to be added to a member's account in respect of the statutory underpin is:

Underpin debit (member) =
PSO% x Value of underpin (member pension) / FACTOR^P

3.16 Where:

PSO%	is the Appropriate percentage as set out in paragraphs 2.7 and 2.8
Value of underpin (member pension)	is the amount calculated as at the Transfer day in accordance with paragraph 4.13 of The Local Government Pension Scheme (England and Wales) Individual Incoming & Outgoing Transfers Guidance note, dated 24 January 2024 ('Transfers guidance')

$FACTOR^P$	is the "Gross Pension" factor for non-Club transfers out, effective at the Calculation date, and based on the member's age at that date and the age from which the member could take the benefits in the relevant tranche unreduced without consent (see paragraph 3.14), i.e. $FACTOR_{NPA}^P$ factor where the debit is to be stored in a NPA service tranche of benefits $FACTOR_{65}^P$ factor where the debit is to be stored in a CRA service or taper service tranche of benefits

3.17 The calculation required to determine the annual debit amount to be applied to the corresponding partner's pension in respect of the statutory underpin is:

Underpin debit (partner) =
PSO% x Current value of the survivor guarantee amount

3.18 Where:

PSO%	is the Appropriate percentage as set out in paragraphs 2.7 and 2.8
Current value of the survivor guarantee amount	is calculated as: *= 49/160 x MAX(0, Revalued provisional underpin amount – Revalued provisional assumed benefits)* Where: **For members who have already reached their underpin date**, the *Revalued provisional underpin amount* and *Revalued provisional assumed benefits* are the Provisional underpin amount and Provisional assumed benefits calculated in line with Regulations 4I and 4J of the 2014 Scheme Transitional Regulations, revalued to the Transfer day as if they were deferred benefits. **For members who have not reached their underpin date**, the Provisional underpin amount and Provisional assumed benefits amounts calculated in line with Regulations 4I and 4J of the 2014 Scheme Transitional Regulations as if the underpin date were the Transfer day.

Statutory underpin (pensioner members)

3.19 The value of the statutory underpin will already be allowed for in the member's annual benefit amount and therefore allowance for the underpin in the member pension debit will automatically be included when applying the Appropriate percentage to the member's benefits. No further adjustment is required to reflect the impact of the underpin in the member pension debit.

3.20 The calculation required to determine the annual debit amount to be applied to the corresponding partner's pension in respect of the statutory underpin is:

Underpin debit (partner) =
PSO% x Current value of the survivor guarantee amount

3.21 Where:

PSO%	is the Appropriate percentage as set out in paragraphs 2.7 and 2.8
Current value of the survivor guarantee amount	is calculated as: *= 49/160 x MAX(0, Revalued provisional underpin amount – Revalued provisional assumed benefits)* Where: *Revalued provisional underpin amount* and *Revalued provisional assumed benefits* are the Provisional underpin amount and Provisional assumed benefits calculated in line with Regulations 4I and 4J of the 2014 Scheme Transitional Regulations, revalued to the Transfer day as if they were deferred benefits.

Pension Increase when there is a 100% sharing order

3.22 In the case where a pension sharing order directs that 100% of a deferred pension is to be awarded to the ex-partner of the member, a residual amount of pension increases may arise as the deferred benefit is increased for the full year, whereas the debit is increased from the Transfer day.

3.23 In this situation, DLUHC have confirmed that the residual pension increases are payable to the debited member. Where appropriate the fund may choose to pay the amount due as a trivial commutation or De Minimis payment.

Pre-existing divorce pension debits and scheme pays offsets

3.24 A member subject to a pension sharing order may have previously opted to use the scheme pays mechanism and thus have scheme pays offsets applying to their benefits. They may also have existing pension debits from a previous divorce pension sharing order. The valuation of pension benefits shared by the court to provide benefits for the ex-partner will have allowed for any debits and offsets as reductions in the total value as set out in the note *Local Government Pension Scheme (England and Wales) Pension Sharing Following Divorce*.

3.25 Following the principle set out in 2.1 to 2.3, when a pension sharing order is granted by the Court, a new pension debit(s) will need to be calculated to implement the (latest) pension sharing order. The new debit(s) can be calculated using either of the approaches set out below:

3.25.1 The new debit should be calculated with reference to the members full pension benefits before any adjustment for any pension debits or offsets that were applicable before the latest pension sharing order took effect. Any existing debits and offsets should also be reduced by the appropriate percentage. This approach strictly treats the debit as a share of all the members pension benefits both positive (i.e. accrued and purchased) and negative (i.e. debits and offsets).

or

3.25.2 At the point of implementing the (latest) pension sharing order, the new debit should be calculated with reference to the members pension benefits after they have been adjusted to account for existing debits and offsets. Existing debits and offsets should be revalued to the Transfer day before being deducted from the respective elements of the members benefits. This avoids the need to revise the existing debits and offsets themselves.

4 Application of pension debits at retirement

4.1 Debits in respect of active and deferred members' benefits should be applied when benefits come into payment. Debits in respect of pensioner members' benefits which are already in payment should be applied immediately (i.e. at the Transfer day). For any benefits not yet in payment (e.g. contingent partner's pension or GMP) the relevant debit, if any, should be applied when those benefits come into payment.

4.2 If a member is receiving a Tier 3 ill health pension at the Transfer day, then the member's pension debit should apply to the Tier 3 pension in payment and also to any future Tier 2 ill health pension or normal health pension if and when they come into payment.

4.3 On flexible retirement the debit should be applied pro rata to the benefits that come into payment, both at the time flexible retirement benefits are taken and on final exit.

Treatment of active and deferred member debits before retirement

4.4 Both active and deferred members' debits should be increased from the Transfer day until benefits come into payment as if they were deferred pensions.

4.5 Increases and revaluations should be applied to these debits as if they were the corresponding benefits e.g. a debit applying to a GMP should have GMP revaluation up to GMP Payment Age and then the applicable GMP increases after that. **Note that following the requirement to equalise GMPs, as set out in our letter** "GMP Equalisation: Calculations involving actuarial factors" **dated 21 December 2019, for members who reach State Pension age (SPA) on or after 6 April 2016 full pension increases in payment apply to GMP pension benefits and debits.**

Application of debits to partner and death benefits

4.6 For the avoidance of doubt, the partner's pension debit should be applied to any partner's pension that comes into payment, regardless of whether it is in respect of a post retirement marriage or otherwise. It should be applied at the same level to be both short term and long term partner's pensions.

4.7 For the lump sum on death in deferment, the debit should be applied to the member's pension before the lump sum is calculated.

4.8 For the death after retirement guarantee lump sum, the member's debit should not be applied again. The debit ought already to have been applied.

Application of a debit before or after retirement age

4.9 Where an active or deferred member has a pension debit and the member's benefits come into payment before or after the retirement age that applies to the corresponding benefit then the debit should be reduced or increased in accordance with the early retirement or late retirement guidance in force in exactly the same way as the corresponding benefit – with the following exceptions:

4.10 Where the Transfer day is after Normal Pension Age, the late retirement uplift should be applied from the Transfer day to the date benefits come into payment.

4.11 Where a member retires in normal health below age 60 and has a CRA below 60 then the debit should be reduced as if the member's CRA had been 60 and not their actual CRA (i.e. should be reduced for the number of years between their retirement and reaching age 60). This applies regardless of whether the member has their employer's (or former employer's) consent to receive unreduced benefits before 60.

4.12 For a member retiring in ill health, see the following subsection.

Application of a debit to a member retiring in ill health

4.13 If the member retires early due to ill health on Tier 1 or Tier 2 benefits after the Transfer day then the debit (unlike the benefit) should be reduced. However the early retirement reduction applied to the debit (but not the benefit) should be taken from table 0-316 in the latest consolidated factor workbook (the current table as at the date of this guidance is reproduced as table A in Appendix B), rather than from the early retirement guidance.

4.14 For the avoidance of doubt any enhancement used to calculate the Tier 1 or Tier 2 ill health retirement pension should not be applied to the debit.

4.15 If the member with a pension debit retires early due to ill health on Tier 3 no debit is to be applied to the Tier 3 benefit. (But see paragraph 4.2 for members receiving a Tier 3 ill health pension at the Transfer day). If the member moves onto Tier 2 benefits debits should be applied as described in the paragraphs above. For the avoidance of doubt if the member does not move onto Tier 2 benefits then the pension debit should be applied to any future benefit that comes into payment (such as normal retirement pension) as described in this guidance.

Flexible retirement

4.16 Where a member opts to draw-down their membership, the debit relating to that part of the membership which is being drawn-down should be applied at the point of flexible retirement (and having regard to paragraphs 4.9 to 4.11 where relevant). Where the member elects to only draw-down a proportion of the membership, the debit should be pro-rated (in proportion to the membership being drawn-down) and applied to the relevant benefit being drawn-down. The remaining debit should be applied when the member eventually retires.

5 Examples

Please note the following examples assume no statutory underpin allowance is required.

5.1 EXAMPLE 1: Debit calculation for an active member with CRA pre-2008 service, NPA65 pre-2014 post-2008 service, and post 2014 service

Member data:

Date of birth:	2 April 1965
Sex:	Male
Transfer day:	2 April 2020
Member's pension:	
Pre-2008 pension:	£5,500 p.a.
Pre-2008 retirement grant:	£16,500
Pre-2014 post-2008 pension:	£2,500 p.a.
Post-2014 pension :	£800 p.a.
Pre 88 GMP :	£100 p.a.
Post 88 GMP :	£500 p.a.
Partner's pension:	
Pre-2008 pension:	£2,750 p.a.
Pre-2014 post-2008 pension:	£937.5 p.a.
Post-2014 pension :	£245 p.a.
Pension Ages[1] for different parts of service:	
Pre 1 April 2008 service:	CRA 60
Post 1 April 2008, pre 31 March 2014 service:	65
Post 31 March 2014 service (illustrative):	67
Appropriate Percentage specified in the pension sharing order (illustrative)	= 40%

<u>Debits Calculated at Transfer day</u>

<u>CRA 60 Debits (Pre 1 April 2008 service)</u>

Pension debit	= £5,500.00 x 40 / 100	= £2,200.00 pa
Retirement grant debit	= £16,500.00 x 40 / 100	= £6,600.00
Partner's debit	= £2,750.00 x 40 / 100	= £1,100.00 pa
Pre-88 GMP debit	= £100.00 x 40 / 100	= £40.00 pa
Post-88 GMP debit	= £500.00 x 40 / 100	= £200.00 pa

[1] Retirement ages and factors shown are for illustration only. Factors and retirement ages should be calculated in line with actuarial guidance in force.

PA 65 Debits (Service between 1 April 2008 and 31 March 2014)

Pension debit	= £2,500.00 x 40 / 100	= £1,000.00 pa
Partner's debit	= £937.50 x 40 / 100	= £375.00 pa

NPA Debits (Post 1 April 2014 service)

Pension debit	= £800.00 x 40 / 100	= £320.00 pa
Partner's debit	= £245.00 x 40 / 100	= £98.00 pa

Debits to be applied at retirement

Scenario 1: Member retires at age 60 in normal health

Factors (Male)	
5 years early retirement pension factor for PA65 service	22.2%
7 years early retirement pension factor for NPA service	29.0%
PI factor (illustrative)	1.35
GMP revaluation factor (to age 65 for a male) (illustrative)	1.85

CRA 60 membership

Pension debit	= £2,200.00	x 1.35	= £2,970.00 pa
Retirement grant debit	= £6,600.00	x 1.35	= £8,910.00
Partner's debit	= £1,100.00	x 1.35	= £1,485.00 pa
Pre-88 GMP debit*	= £40.00	x 1.85	= £74.00 pa
Post-88 GMP debit*	= £200.00	x 1.85	= £370.00 pa

PA65 membership

Pension debit	= £1,000.00	x 1.35 x (1 - 0.222)	= £1,050.30 pa
Partner's debit	= £375.00	x 1.35	= £506.25 pa

NPA membership (Post 1 April 2014 service)

Pension debit	= £320.00	x 1.35 x (1 - 0.290)	= £306.72 pa
Partner's debit	= £98.00	x 1.35	= £132.30 pa

* applicable from GMP age which is age 65 for a male. In reality calculation done at GMP age.

Scenario 2: Member retires at age 59 in normal health

Factors (Male)	
1 year early retirement pension factor for CRA60 service	5.1%
1 year early retirement grant factor for CRA60 service	2.3%
6 years early retirement pension factor for PA65 service	25.7%
8 years early retirement pension factor for NPA service	32.1%
PI factor (illustrative)	1.3
GMP revaluation factor (to age 65 for a male) (illustrative)	1.8

CRA 60 membership

Pension debit	= £2,200.00	x 1.3 x (1 - 0.051)	= £2,714.14 pa
Retirement grant debit	= £6,600.00	x 1.3 x (1 - 0.023)	= £8,382.66
Partner's debit	= £1,100.00	x 1.3	= £1,430.00 pa
Pre-88 GMP debit*	= £40.00	x 1.8	= £72.00 pa
Post-88 GMP debit*	= £200.00	x 1.8	= £360.00 pa

PA65 membership

Pension debit	= £1,000.00	x 1.3 x (1 - 0.257)	= £965.90 pa
Partner's debit	= £375.00	x 1.3	= £487.50 pa

NPA membership

Pension debit	= £320.00	x 1.3 x (1 - 0.321)	= £282.46 pa
Partner's debit	= £98.00	x 1.3	= £127.40 pa

Scenario 3: Member retires at age 68

Factors (Male)	
PA 65 pension late retirement factor (3 years = 1096 days)	11.33%
PA 65 retirement grant late retirement factor (3 years = 1096 days)	1.10%
NPA 67 pension late retirement factor (1 years = 365 days)	3.65%
PI factor (illustrative)	1.6
Pre-88 GMP revaluation factor (illustrative)	2.5*
Post-88 GMP revaluation factor (illustrative)	2.7*

* Note that these revaluation rates are illustrative. For the purposes of this example, we have assumed that these revaluation rates include any statutory late retirement increases applicable to the pre and post 88 GMP for the period between the GMP payment age of 65 and age 68.

CRA 60 membership

Pension debit	= £2,200.00	x 1.6 x (1 + 0.1133)	= £3,918.82 pa
Retirement grant debit	= £6,600.00	x 1.6 x (1 + 0.0110)	= £10,676.16
Partner's debit	= £1,100.00	x 1.6	= £1,760.00 pa
Pre-88 GMP debit*	= £40.00	x 2.5	= £100.00 pa
Post-88 GMP debit*	= £200.00	x 2.7	= £540.00 pa

PA65 membership

Pension debit	= £1,000.00	x 1.6 x (1 + 0.1133)	= £1,781.28 pa
Partner's debit	= £375.00	x 1.6	= £600.00 pa

NPA membership

Pension debit	= £320.00	x 1.6 x (1 + 0.0365)	= £530.69 pa
Partner's debit	= £98.00	x 1.6	= £156.80 pa

* applicable from GMP age which is age 65 for a male. In reality calculation done at GMP age

5.2 EXAMPLE 2: Debit calculation for an active member with CRA pre-2008 service and taper post-2008 service

Member data:

Date of birth:	1 November 1959
Sex:	Male
Date of joining:	1 November 1986
Transfer day:	1 November 2015

Member's pension:	
Pre-2008 pension:	£5,500 p.a.
Pre-2008 retirement grant:	£16,500
Pre-2014 post-2008 pension:	£2,500 p.a.
Post-2014 pension :	£800 p.a.
Pre 88 GMP :	£100 p.a.
Post 88 GMP :	£500 p.a.
Partner's pension:	
Pre-2008 pension:	£2,750 p.a.
Pre-2014 post-2008 pension:	£937.50 p.a.
Post-2014 pension :	£245 p.a.
Appropriate Percentage specified in the pension sharing order (illustrative)	= 40%
Pension Ages[2] for different parts of service:	
Pre 1 April 2008 service:	CRA 60
Post 1 April 2008, pre 31 March 2014 service:	Taper65
Post 31 March 2014 service:	TaperNPA

<u>Debits Calculated at Transfer day</u>

<u>CRA 60 Debits (Pre 1 April 2008 service)</u>

Pension debit	= £5,500.00 x 40 / 100	= £2,200.00 pa
Retirement grant debit	= £16,500.00 x 40 / 100	= £6,600.00
Partner's debit	= £2,750.00 x 40 / 100	= £1,100.00 pa
Pre-88 GMP debit	= £100.00 x 40 / 100	= £40.00 pa
Post-88 GMP debit	= £500.00 x 40 / 100	= £200.00 pa

<u>Taper65 Debits (service between 1 April 2008 and 31 March 2014)</u>

Pension debit	= £2,500.00 x 40 / 100	= £1000.00 pa
Partner's debit	= £937.50 x 40 / 100	= £375.00 pa

[2] For guidance on calculating pension ages for different parts of service, please see the current guidance on "Early Payment of Pension".

TaperNPA Debits (service from 1 April 2014)

Pension debit	= £800.00 x 40 / 100	= £320.00 pa
Partner's debit	= £245.00 x 40 / 100	= £98.00 pa

Debits to be applied at retirement

Scenario 1: Member retires at age 60 in normal health

Factors (Male)	
5 years early retirement pension factor for PA65 service	22.2%
6 years early retirement pension factor for NPA service	25.7%
Early retirement pension factor for PA65 taper membership*	19.90%
Early retirement pension factor for NPA taper membership*	23.04%
PI factor (illustrative)	1.15
GMP revaluation factor (to age 65 for a male) (illustrative)	1.95

Taper membership early payment reduction calculation
Taper period = 01/04/2016 – 31/10/2019 = 3 years 214 days
Interpolation factor = (3+214/365) / 4 = 0.8966
Tapered pension early retirement PA65 factor = 0.8966 x 0.222 + (1 – 0.8966) x 0.00 = 0.1990
Tapered pension early retirement NPA factor = 0.8966 x 0.257 + (1 – 0.8966) x 0.00 = 0.2304

CRA 60 membership

Pension debit	= £2,200.00	x 1.15	= £2,530.00 pa
Retirement grant debit	= £6,600.00	x 1.15	= £7,590.00
Partner's debit	= £1,100.00	x 1.15	= £1,265.00 pa
Pre-88 GMP debit*	= £40.00	x 1.95	= £78.00 pa
Post-88 GMP debit*	= £200.00	x 1.95	= £390.00 pa

Taper65 membership (service between 1 April 2008 and 31 March 2014)

Pension debit	= £1,000.00	x 1.15 x (1 - 0.1990)	= £921.15 pa
Partner's debit	= £375.00	x 1.15	= £431.25 pa

TaperNPA membership (service from 1 April 2014)

Pension debit	= £320.00	x 1.15 x (1 - 0.2304)	= £283.21 pa
Partner's debit	= £98.00	x 1.15	= £112.70 pa

* applicable from GMP pension age which is age 65 for a male. In reality calculation done at GMP age

Scenario 2: Member retires at age 68

Factors (Male)	
PA65 pension late retirement factor (3 years = 1,095 days)	11.32%
PA65 retirement grant late retirement factor (3 years = 1,095 days)	1.10%
NPA66 pension late retirement factor (2 years = 730 days)	7.30%
PI factor (illustrative)	1.3
Pre-88 GMP revaluation factor (illustrative)	2.9*
Post-88 GMP revaluation factor (illustrative)	3.2*

* Note that these revaluation rates are illustrative. For the purposes of this example, we have assumed that these revaluation rates include any statutory late retirement increases applicable to the pre and post 88 GMP for the period between the GMP payment age of 65 and age 68.

<u>CRA 60 membership</u>

Pension debit	= £2,200.00	x 1.3 x (1 + 0.1132)	= £3,183.75 pa
Retirement grant debit	= £6,600.00	x 1.3 x (1 + 0.0110)	= £8,674.38
Partner's debit	= £1,100.00	x 1.3	= £1,430.00 pa
Pre-88 GMP debit	= £40.00	x 2.9	= £116.00 pa
Post-88 GMP debit	= £200.00	x 3.2	= £640.00 pa

<u>Taper65 membership (service between 1 April 2008 and 31 March 2014)</u>

Pension debit	= £1,000.00	x 1.3 x (1 + 0.1132)	= £1,447.16 pa
Partner's debit	= £375.00	x 1.3	= £487.50 pa

<u>TaperNPA membership (service from 1 April 2014)</u>

Pension debit	= £320.00 x 1.3 x (1 + 0.0730)	= £446.37 pa
Partner's debit	= £98.00 x 1.3	= £127.40 pa

5.3 EXAMPLE 3: Debit Calculation for a deferred pensioner with only CRA pre-2008 service

Member data:

Date of birth:	1 August 1962
Sex:	Female
CRA:	60

Deferred benefits at exit

Member pension:	£2,000
Retirement grant:	£6,000
Partner's pension:	£1,000
Pre-88 GMP:	nil
Post-88 GMP:	nil
Pension Increase factor from exit to Transfer day (illustrative):	1.06
Appropriate Percentage specified in the pension sharing order (illustrative)	= 40%

Pension at Transfer day	= 2,000.00 x 1.06	= £2,120.00 pa
Retirement grant at Transfer day	= 6,000.00 x 1.06	= £6,360.00
Partner's pension at Transfer day	= 1,000.00 x 1.06	= £1,060.00 pa

<u>Debits Calculated at Transfer day</u>

<u>CRA 60 Debits</u>

Pension debit	= £2,120.00 x 40 / 100	= £848.00 pa
Retirement grant debit	= £6,360.00 x 40 / 100	= £2,544.00
Partner's debit	= £1,060.00 x 40 / 100	= £424.00 pa
Pre-88 GMP debit	= £0.00 x 40 / 100	= £0.00 pa
Post-88 GMP debit	= £0.00 x 40 / 100	= £0.00 pa

<u>Debits to be applied at retirement</u>

Scenario 1: Member retires at age 60

PI factor from Transfer day to age 60 (i.e. to April immediately before) (illustrative) 1.1

<u>CRA 60 membership</u>

Pension debit	= £848.00	x 1.1	= £932.80 pa
Retirement grant debit	= £2,544.00	x 1.1	= £2,798.40
Partner's debit	= £424.00	x 1.1	= £466.40 pa

Scenario 2: Member retires at age 59

Factors (Female)	
1 year early retirement pension factor for CRA60 service	5.1%
1 year early retirement grant factor for CRA60 service	2.3%
PI factor from Transfer day to age 59 (i.e. to April immediately before) (illustrative)	1.06

CRA 60 membership

Pension debit	= £848.00	x 1.06 x (1 - 0.051)	= £853.04 pa
Retirement grant debit	= £2,544.00	x 1.06 x (1 - 0.023)	= £2,634.62
Partner's debit	= £424.00	x 1.06	= £449.44 pa

EXAMPLE 4: Debit calculation for a Pensioner

Member data:

Date of birth:	1 October 1955
Sex:	Male
Current Pension:	£6,000
Partner's Pension:	£3,000
Pre-88 GMP	£80 pa
Post-88 GMP	£300 pa

Appropriate Percentage specified in the pension sharing order (illustrative) = 40%

Pension debit	= £6,000.00 x 40 / 100	= £2,400.00 pa
Partner's debit	= £3,000.00 x 40 / 100	= £1,200.00 pa
Pre-88 GMP debit	= £80.00 x 40 / 100	= £32.00 pa
Post-88 GMP debit	= £300.00 x 40 / 100	= £120.00 pa

Appendix A: Assumptions underlying factors

Financial assumptions

Nominal discount rate	3.734%
CPI	2.00%
Real discount rate (in excess of CPI)	1.70%

Mortality assumptions

Base mortality tables and adjustments – normal health	99% of S3NMA_M (M) and 96% of S3NFA_M (F)
Base mortality tables and adjustments – ill health	117% of S3IMA (M) and 133% of S3IFA (F)
Base mortality tables and adjustments – dependants	96% of S3DMA (M) and 97% of S3NFA_H (F)
Future mortality improvement	Based on ONS 2020 principal UK population projections
Year of Use	2024

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

Appendix B: Limitations

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

B.2 Factors are subject to regular review. Scheme managers and administrators need to ensure that they are using the latest factors, as relevant, when processing cases.

B.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.

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

B.5 Scheme managers and administrators should satisfy themselves that divorce pension debit calculations and benefit awards comply with all legislative requirements including, but not limited to, tax and contracting-out requirements.

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