



Government
Actuary's
Department

Local Government Pension Scheme (Scotland)

Pension Sharing Following Divorce

Guidance note

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1 Introduction

- 1.1 The Scottish Public Pensions Agency (SPPA) 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 *Local Government Pension Scheme (Scotland): Application of a pension credit to the former partner of a pre-2015 leaver – Factors and Guidance* and *Local Government Pension Scheme (Scotland): Application of a pension credit to the former spouse or civil partner of the member (post-2015 members)*.
- 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 *Local Government Pension Scheme (Scotland): Application of a pension debit for divorced members - Transfer date before 1 April 2015 – Factors and Guidance*, and *Local Government Pension Scheme (Scotland): Application of a pension debit for divorced members - Transfer date from 1 April 2015 – Factors and Guidance*.
- 1.4 The remainder of this introduction contains:
 - details of the implementation and future review of this guidance
 - the relevant legislative references
 - statements about the use of this note and third-party reliance
- 1.5 In the remainder of this note:
 - Section 2 explains how to allow for full indexation of GMP being provided by the scheme for members reaching State Pension age on or 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.
 - Section 5 contains guidance and instructions on how to calculate cash equivalents for divorce purposes for active and deferred members.
 - 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 factors at the date of this guidance 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 Scottish Ministers are required to consult with GAD before issuing actuarial guidance under Regulation 2(3) of The Local Government Pension Scheme (Scotland) Regulations 2018 (SSI 2018/141) ('the 2018 Regulations').
- 1.8 As part of this consultation, the SPPA 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 Scottish Ministers in accordance with Regulation 2(3) of the 2018 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 (Scotland) consolidated factor workbook as the 301 to 304 series (for pensioners, see *Calculation of cash equivalents for actives or deferreds* section for more information on active and deferred members).
- 1.11 This note replaces the previous guidance dated 6 March 2020 and has been updated to set out the additional calculations required where a statutory underpin applies.
- 1.12 This guidance has been written for pension administrators and assumes knowledge of general pension terminology, and familiarity with pension calculations for the Local Government Pension Scheme (Scotland). Any questions concerning the application of the guidance should, in the first instance, be referred to SPPA.

Relevant legislative references

- 1.13 This note is designed to be consistent with the Welfare Reform and Pensions Act 1999 ('the 1999 Act') and associated regulations (principally the Pension Sharing (Implementation and Discharge of Liability) Regulations 2000 and the Pension Sharing (Valuation) Regulations 2000).
- 1.14 This note also makes allowance for the provisions under regulations 4P and 20 of the Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014 (SSI 2014/233) ('the 2014 Scheme Transitional Regulations').
- 1.15 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

- 1.16 This guidance has been prepared for the use of the SPPA 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 the SPPA 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.
- 1.17 When issued by the Scottish Ministers in accordance with paragraph 1.9 above, this note should be used as the actuarial guidance required under the regulations cited. Other than for this purpose, no person or third party is entitled to place any reliance on the contents of this note, except to any extent explicitly stated herein.
- 1.18 Other than the SPPA 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

- 2.1 The calculations and formulae in this guidance contain adjustments to reflect the inflationary increases on a member's Guaranteed Minimum Pension (GMP).
- 2.2 In line with previous guidance, our GMP adjustment factors allow for the scheme providing for full indexation increases on GMP for all members reaching State Pension Age (SPA) on or after 6 April 2016.
- 2.3 For the following cohorts of members, calculations should be undertaken using the methodology set out in sections 3 to 6 of this guidance note with any GMP (pre or post 1988) set to zero:
- 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
- 2.4 For members who reached SPA before 6 April 2016, GMP adjustments should 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) SPA.
- 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 as the date when a request was received if this is within 12 months of the date of separation. If the request is received outside this period, then the calculation date should be taken as the date of separation.



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** (the 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 (Scotland): 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.

3.15 Divorce cases in Scotland

Section 10 of the Family Law (Scotland) Act 1985 states that for divorce cases in Scotland, only the pension rights built up since the beginning of the marriage will be taken into account up to the earlier of the date of separation and the date of divorce when the court has granted the decree absolute.



4 Calculation of cash equivalents for pensioners

- 4.1 Members already in receipt of benefits do not have an entitlement to a cash equivalent transfer value ('CETV'), but one will still be required for the divorce proceedings. The pensioner cash equivalent value can be calculated using the method in this note and factors in the consolidated workbook but *should be used for divorce purposes only*.
- 4.2 There are two sets of tables:
- Tables 301 and 302 in the consolidated factors workbook: Pensioners who retired on ordinary grounds
 - Tables 303 and 304 in the consolidated factors workbook: Pensioners who retired on ill health grounds
- 4.3 The main difference between these two sets is that the second allows for the lower life expectancy experienced on average by those who retire due to ill health.
- 4.4 Tables 303 and 304 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 the SPPA for onward transmission to GAD.

Calculation

- 4.5 The pensioner cash equivalent should be calculated as follows:

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

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)
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
F _S	Contingent survivor's pension factor
F _{GMP}	Factor for GMP

- 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 SPA before 6 April 2016 and have an accrued 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'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.
- 4.11 If the member is eligible for the statutory underpin, the pensions should include allowance for any final guarantee amount as calculated under Regulations 4A to 4P of the 2014 Scheme Transitional Regulations.

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 the purpose of divorce proceedings, SPPA 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.
- 4.13 If the member is eligible for the statutory underpin and the final guarantee amount is greater than zero, the survivor's benefit amount should include the potential corresponding survivor's guarantee amount as calculated under Regulation 4M of the 2014 Scheme Transitional Regulations.

Dependant pensioners

- 4.14 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

- 4.15 In previous versions of this guidance, an adjustment was set out in respect of National Insurance (NI) modification. For most members NI modification no longer has a material impact on benefits, so we have agreed with SPPA to remove the NI modification adjustment from the calculation methodology. This applies with effect from 29 March 2023, when as part of a scheme factor review the NI modification factors in the consolidated factors workbook were set as zero and implemented from this date.



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 and the partner's pension should be the annual rate which would be payable if the member then died on the calculation date.
- 5.3 Please refer to the latest guidance note Local Government Pension Scheme (Scotland): Individual Incoming & Outgoing Transfers – Guidance note for the calculation formulae and a summary of the earliest ages at which members can draw benefits for different periods of service. The GMP adjustment rules in that CETV guidance should be followed and not section 2 of this note.
- 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, pensioner cash equivalent methodology should be followed. Any underpin amount should be ignored in calculating the relevant pension figures for this purpose. Steps 4.8-4.15 of the Local Government Pension Scheme (Scotland): Individual Incoming & Outgoing Transfers – Guidance note should be followed to allow for the value of the underpin. In particular:
- 5.5.1 For both active and deferred members, the divorce CETV is calculated as if the member had retired on the day immediately before the calculation date and was therefore in receipt of retirement benefits on ordinary grounds 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 on or after 1 April 2015 their SPA, the pension and retirement grant used in the calculation should include late retirement uplifts as set out in the *Local Government Pension Scheme (Scotland): Late Retirement – Guidance note*.
- 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 (with an addition of the amount of the automatic retirement grant (multiplied by a factor of 1)). 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 periods of service with different Normal Pension Ages (NPAs), which should be totalled to give the final cash equivalent.
- 5.5.4 As noted in 5.5, the relevant pension amounts should not include amounts in respect of the statutory underpin; the value of the underpin is instead reflected in the CETV of the underpin amount.
- 5.5.5 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 SPPA 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 a deferred or active member - see section 5 of this guidance document. For members who have taken partial flexible retirement and drew some, but not all, post-2015 benefits and hence may have some remaining post-2015 benefits subject to potential underpin adjustment, care will be needed as any additional underpin amount calculation will be based on the full provisional underpin amount. The statutory underpin section of the *Local Government Pension Scheme (Scotland): Flexible Retirement* guidance note should be referred to.
 - 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 deferred or active 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).



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.



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 2024
Member's age at Transfer day:	73
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 ***

* As member has already retired, pension amount already includes allowance for statutory underpin.

** Includes additional proportion of the survivor guarantee amount in respect of member underpin, calculated in line with Regulation 4M of the 2014 Scheme Transitional Regulations, assuming the member's date of death is the Transfer day.

*** This member reached State Pension Age before 6 April 2016 and 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 73 last birthday at Transfer day)

Gross pension factor – Table 0-301	F_P	12.74
Contingent survivor's factor – Table 0-301	F_S	1.99
GMP Factor – Table 0-301	F_{GMP}	2.12

Divorce CETV for a Pensioner:

$$\begin{aligned}
 \text{CETV} &= [(P \times F_P) + (\text{SUR} \times F_S) - (\text{GMP}_{\text{PRE}} + 0.15 \times \text{GMP}_{\text{POST}}) \times F_{\text{GMP}}] \\
 &= [(\text{£}6,000.00 \times 12.74) + (\text{£}3,000.00 \times 1.99) - (\text{£}80.00 + 0.15 \times \text{£}300.00) \times 2.12] \\
 &= [\text{£}76,440.00 + \text{£}5,970.00 - \text{£}265.00] \\
 &= \text{£}82,145.00
 \end{aligned}$$



Example 2: Divorce cash equivalent calculation - Female (Tier 2 ill-health) pensioner who has GMP and will reach SPA after 5 April 2016

Member data

Date of birth:	1 October 1967
Sex:	Female
Transfer day/Calculation date:	1 October 2023
State Pension Age reached on:	1 October 2034
Member's age at Transfer day:	56
Pensioner type:	Tier 2 ill-health

Pension benefits

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 **

* Assume member was eligible for statutory underpin but no underpin amount applied, therefore no underpin amounts are included in the pension amounts.

** 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 0-304	F_P	19.32
Contingent survivor's factor – Table 0-304	F_S	4.38
GMP Factor – Table 0-304	F_{GMP}	N/A

Divorce CETV for a Pensioner:

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

$$\begin{aligned}
 &= [(£5,600.00 \times 19.32) + (£2,800.00 \times 4.38) - (£0.00 + 0.15 \times £0.00) \times 0.00] \\
 &= [£108,192.00 + 12,264.00 - £0.00] \\
 &= \mathbf{£120,456.00}
 \end{aligned}$$



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

The member has a pre-2015 LGPS pension in payment (benefit 1) and also 2015 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 1956
Sex:	Male
Transfer day/Calculation date:	15 August 2023
State Pension Age reached on:	18 August 2022
Member's age at last birthday:	66
Pensioner type:	Normal Health

Pension benefits for Benefit 1 (pre-2015 benefits in payment)

Benefit	Amount
Member's pension (P₁)	£5,600 pa
Contingent survivor's pension (SUR₁)	£2,550 pa
Pre-88 GMP (GMP_{PRE})	N/A *
Post-88 GMP (GMP_{POST})	N/A *

* 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 0-301	F_P	17.48
Contingent survivor's factor – Table 0-301	F_S	2.37
GMP Factor – Table 0-301	F_{GMP}	N/A

Divorce CETV for a Pensioner (Benefit 1):

$$\text{CETV} = [(P_1 \times F_P) + (\text{SUR}_1 \times F_S) - (\text{GMP}_{\text{PRE}} + 0.15 \times \text{GMP}_{\text{POST}}) \times F_{\text{GMP}}]$$

$$= [(£5,600.00 \times 17.48) + (£2,550.00 \times 2.37) - (£0.00 + 0.15 \times £0.00) \times 0.00]$$

$$= [£97,888.00 + £ 6,043.50 - £0.00]$$

$$= \text{£ } 103,931.50$$



Pension benefits for Benefit 2 (post-2015 benefits still accruing)

Assume member is eligible for statutory underpin.

- Section 4 of this guidance should be followed for the member's standard benefits (i.e. excluding the statutory underpin); and
- Steps 4.8-4.15 of the *Local Government Pension Scheme (Scotland): Individual Incoming & Outgoing Transfers – Guidance note* should be followed for the value of the member's statutory underpin.

Benefit	Amount
Member's pension (P₂)	£1,600 pa *
Contingent survivor's pension (SUR₂)	£490 pa *

* Does not include any amounts relating to the statutory underpin.

This member has no additional automatic lump sum to be included.

Factors

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

Gross pension factor – Table 0-301	F_P	17.48
Contingent survivor's factor – Table 0-301	F_S	2.37
Late retirement increase applying to benefits as 361 days have elapsed since the member reached NPA to the date before the Transfer day – Table 0-402	F_{Late}	1.0361

Divorce CETV for a Pensioner (Benefit 2):

First uplift the member benefits for the late retirement factor applying had the member retired the day before the Transfer day/calculation date. Refer to the latest guidance note *Local Government Pension Scheme (Scotland): Late Retirement – Guidance note* for the calculation formulae to use:

$$\begin{aligned} \text{Uplifted Member pension (P}_U\text{)} &= P_2 \times F_{\text{Late}} \\ &= £1,600.00 \times 1.0361 \\ &= £ 1,657.76 \end{aligned}$$

$$\begin{aligned} \text{CETV (before underpin)} &= [(P_U \times F_P) + (SUR_2 \times F_S) - (GMP_{\text{PRE}} + 0.15 \times GMP_{\text{POST}}) \times F_{\text{GMP}}] \\ &= [(£1,657.76 \times 17.48) + (£490.00 \times 2.37)] \\ &= £ 28,977.64 + £ 1,161.30 \\ &= \mathbf{£ 30,138.94} \end{aligned}$$



Addition to CETV (underpin) = £2,000.00

Assumed. (This should be calculated using steps 4.8-4.15 of the *Local Government Pension Scheme (Scotland): Individual Incoming & Outgoing Transfers – Guidance note*)

Total CETV (Benefit 2) = £30,138.94 + £2,000.00

= £ 32,138.94

Total Divorce CETV for a Pensioner (Benefit 1 and Benefit 2):

Total CETV = £ 103,931.50 + £ 32,138.94

= £ 136,070.44



Appendix A: Assumptions underlying factors

Noted below are main financial and demographic assumptions used to set the factors referred to in this document. Please note the factors used in this document are subject to change.

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	113% of S3NMA_M (M) and 115% of S3NFA_M (F)
Base mortality tables and adjustments – ill health	148% of S3IMA (M) and 159% of S3IFA (F)
Base mortality tables and adjustments – dependants	110% of S3DMA (M) and 114% 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	40%
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 pensioner cash equivalent on divorce 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 pensioner cash equivalent on divorce 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 SPPA and GAD. Under no circumstances should this guidance take precedence over the Regulations. Administrators should ensure that they comply with all relevant Regulations.