



# Government Actuary's Department

## **Teachers' Pension Scheme**

### **Final salary sections and career average section**

Pensioner cash equivalents on divorce

Factors and guidance

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## 1 Introduction

- 1.1 This note is provided for the Department for Education (DfE) as scheme manager of the Teachers' Pension Scheme (TPS), and sets out the method and instructions for calculating the cash equivalent of a member's benefits for divorce purposes.
- 1.2 The factors provided in this note have been prepared in light of our advice to DfE dated 26 November 2014 and its instructions following that advice.
- 1.3 This method should be used both when a member applies for a quotation of the value of the benefits during the divorce proceedings, and after a pension sharing order has been made. Separate instructions cover the calculation of the pension debit to the member and the pension credit to the ex-spouse.
- 1.4 A member may have benefits in both the final salary sections of the scheme and in the career average section of the scheme. In this instance separate cash equivalents should be calculated and quoted in respect of their benefits in the final salary sections and their benefits in the career average section.
- 1.5 Where the member is under their normal pension age (NPA), and the benefits have not yet come into payment, the cash equivalent transfer value (CETV) should be quoted. This should be calculated using the same approach as would apply to a normal CETV (ie non-Club transfer out), even if the member is not normally entitled to a transfer value.
- 1.6 The guidance is split into the following sections:
  - > Section 2 covers the calculation for members already in receipt of their benefits.
  - > Section 3 covers active members who are above their normal pension age at the date of the calculation.
- 1.7 The factor tables are set out in Appendix A.
- 1.8 DfE has determined that the factors will apply to the final salary sections with effect from 1 April 2015. The factors will also apply to the career average section with effect from 1 April 2015.
- 1.9 The instructions and factors provided in this note are intended solely for the use by the administrators of the Teachers' Pension Scheme to determine the cash equivalent of a member's benefits for divorce purposes. The Government Actuary's Department (GAD) does not accept any liability if the factors are used for any other purpose unless specifically agreed in advance by GAD.



## 2 Members already in receipt of benefits

- 2.1 Those in receipt of benefits do not have an entitlement to a CETV. The pensioner cash equivalent can be calculated using the method and factors in this note, but **should be used for divorce purposes only**.
- 2.2 There are two sets of tables, which apply for both the final salary and career average sections of the Teachers' Pension Scheme:
- > Tables 303 and 313 - Pensioners who retired not on ill health grounds
  - > Tables 323 and 333 - Pensioners who retired on ill health grounds

The main differences between the two sets of tables are that the ill health tables allow for the heavier mortality experienced by those who retire due to ill health, and they also cover a wider range of ages as members can only retire in normal health from age 55.

### Calculation date

- 2.3 The date for the calculation will depend on the stage of the divorce:
- > For divorces in England & Wales, the date used should be consistent with the date used for normal transfer value calculations (ie the guarantee date). If a quotation is required for part of the proceedings, in Scottish cases, the date will usually be specified by the court.
  - > If the calculation is being done after a pension sharing order has been made, the calculation date should be the transfer date, during the implementation period following the pension sharing order.
- 2.4 The age of the member should be calculated at this date. Benefits should also be taken at this date for the calculation, as described below.



## Calculation

2.5 The pensioner cash equivalent should be calculated as:

$$CE = P \times F_x^P + S \times F_x^S - (G^{pre} + 0.15 \times G^{post}) \times F_x^G - NI \times F_x^{NI}$$

where:

- $P$  current member's pension – see paragraph 2.8 below
- $S$  'Survivor's pension' - pension payable on the death of the member to their spouse or civil partner, in respect of a post exit marriage (ie service after 6 April 1978 for a male member and after 6 April 1988 for a female member)
- $G^{pre}$  annual GMP accrued before 6 April 1988, including revaluation to the calculation date
- $G^{post}$  annual GMP accrued after 6 April 1988, including revaluation to the calculation date
- $NI$  National Insurance modification, where applicable – see paragraph 2.9
- $F_x^P$  relevant gross pension factor for a member aged x
- $F_x^S$  relevant survivor's pension factor for a member aged x
- $F_x^{NI}$  relevant NI factor for National Insurance for a member aged x
- $F_x^G$  relevant GMP factor for a member aged x

2.6 Factors should be selected depending on whether a member retired in ill-health or not and with reference to their sex and age.

2.7 The factors in the normal health tables run from age 55. Divorce cases where the member is under 55 and in receipt of benefits other than an ill health pension should be referred to GAD.

2.8 Separate cash equivalents should be calculated and quoted in respect of a member's benefits in the final salary sections and their benefits in the career average section.

## Pension benefits

2.9 The member's pension should be the current annual rate of pension payable and the survivor's pension should be the annual rate which would be payable if the member died on the calculation date (for this purpose, it should be assumed that an eligible survivor exists). The last increase should be that awarded up to and including the April increase immediately before the calculation date.

2.10 If the member is over state pension age and has a National Insurance modification, the pension used should be that after the deduction of the modification. In such cases, the NI factor ( $F_x^{NI}$ ) should be set to zero, so the calculation formula (from paragraph 2.5) simplifies to:

$$CE = P \times F_x^P + S \times F_x^S - (G^{pre} + 0.15 \times G^{post}) \times F_x^G$$



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

#### **Guaranteed Minimum Pension**

- 2.12 The cash equivalent must be adjusted to reflect increases on the Guaranteed Minimum Pension (GMP) that are the responsibility of the State. Separate pre and post 1988 GMP figures need to be used.
- 2.13 Where the member is below GMP payment age, the GMP used should include revaluation up to and including the increase in the April immediately before the calculation date, using section 148 orders, in line with normal practice for cash equivalent transfer values.
- 2.14 Where the member has passed GMP payment age, the pre and post 1988 GMP amounts to use are the current annual amounts of GMP in payment. If the member has passed GMP payment age, and their GMP is not yet in payment, then the case should be referred to GAD.
- 2.15 Annual GMP figures can be obtained by multiplying the weekly GMP figures by 52. The sum of the GMP in respect of service up to 5 April 1988 and 15% of the GMP in respect of service after that date should be multiplied by the appropriate factor in the tables and the resulting figure used in the cash equivalent calculation.

#### **National Insurance modification**

- 2.16 An adjustment may be needed for National Insurance modification. This will apply where a member is under state pension age.
- 2.17 The amount of National Insurance modification should be expressed as an annual rate, and increased in line with the pension increases awarded between leaving and the April prior to the date of calculation inclusive. The relevant factor should be applied to that amount.



### 3 Active members aged over NPA

- 3.1 These should be valued as though they were immediate pensioners.
- 3.2 The pensioner cash equivalent is calculated differently for active members aged over NPA in the NPA 60 final salary section than for those members aged over NPA in the NPA 65 section or those aged over NPA.

#### **Active member aged over NPA in NPA 65 final salary section or the career average section**

- 3.3 For an active member aged above NPA in the NPA 65 final salary section or aged over NPA in the career average section, the pensioner cash equivalent should be calculated as:

$$CE = P \times F_x^P + S \times F_x^S - (G^{pre} + 0.15 \times G^{post}) \times F_x^G$$

where the pension  $P$  should be that after the deduction of any National Insurance modification and all other items are as defined in paragraph 2.5.

#### **Active member aged 60-64 in the NPA 60 final salary section**

- 3.4 For an active member aged 60-64 in the NPA 60 final salary section, the pensioner cash equivalent should be calculated as:

$$CE = P \times F_x^P + S \times F_x^S - (G^{pre} + 0.15 \times G^{post}) \times F_x^G - NI \times F_x^{NI} + LS$$

In this case, the National Insurance modification should not be deducted from the pension  $P$  (as it is valued separately later in the formula).  $LS$  is the retirement lump sum that would be paid if the member had retired on the calculation date and all other items are as defined in paragraph 2.5.

#### **Active member aged 65 or above in the NPA 60 final salary section**

- 3.5 For an active member aged 65 or above in the NPA 60 final salary section, the pensioner cash equivalent should be calculated as:

$$CE = P \times F_x^P + S \times F_x^S - (G^{pre} + 0.15 \times G^{post}) \times F_x^G + LS$$

where the pension  $P$  should be that after the deduction of any National Insurance modification,  $LS$  is the retirement lump sum that would be paid if the member had retired on the calculation date and all other items are as defined in paragraph 2.5.



**Members with mixed service or with benefits in both the final salary and career average sections**

- 3.6 There may be mixed service members in final salary sections of the TPS with both NPA 60 and NPA 65 service. There may also be members with benefits in both the final salary and the career average sections. The CETVs for the member's benefits in the NPA 60 final salary section, in the NPA 65 final salary section and in the career average section should be calculated separately using the relevant parts of this guidance and the normal CETV (ie non-Club transfer out) guidance if required. Separate cash equivalents should be quoted in respect of a member's benefits in the final salary sections and their benefits in the career average section





## Appendix A: Factors

**Table 303 : TPS, Factors to calculate pensioner cash equivalents on divorce  
- retirement not on grounds of ill health**

<b>Men</b>				
<b>Age last birthday at relevant date</b>	<b>Member's Pension of £1 per annum</b>	<b>Survivor's Pension of £1 pa</b>	<b>Deduction for GMP of £1 pa</b>	<b>Deduction for NI modification of £1 pa</b>
55	20.83	2.54	3.54	12.71
56	20.46	2.59	3.54	13.09
57	20.07	2.64	3.55	13.48
58	19.68	2.68	3.55	13.88
59	19.27	2.73	3.55	14.30
60	18.86	2.78	3.56	14.74
61	18.43	2.83	3.57	15.19
62	18.00	2.88	3.57	15.66
63	17.55	2.93	3.58	16.16
64	17.10	2.98	3.68	16.67
65	16.63	3.02	3.68	
66	16.15	3.07	3.50	
67	15.66	3.12	3.33	
68	15.16	3.17	3.15	
69	14.64	3.21	2.98	
70	14.12	3.22	2.81	
71	13.58	3.25	2.64	
72	13.04	3.30	2.47	
73	12.50	3.34	2.31	
74	11.95	3.31	2.15	
75	11.41	3.22	1.99	
76	10.87	3.18	1.84	
77	10.34	3.19	1.70	
78	9.81	3.18	1.56	
79	9.28	3.08	1.42	
80	8.75	2.87	1.29	
81	8.23	2.76	1.17	
82	7.70	2.73	1.05	
83	7.19	2.70	0.93	
84	6.69	2.53	0.82	
85	6.20	2.23	0.72	
86	5.74	2.05	0.63	
87	5.29	1.98	0.54	
88	4.87	1.91	0.47	
89	4.49	1.68	0.40	
90	4.15	1.32	0.34	
91	3.83	1.12	0.29	
92	3.55	1.05	0.25	
93	3.29	0.99	0.21	
94	3.05	0.93	0.18	
95	2.83	0.86	0.15	

**Notes:**

1. 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 313 : TPS, Factors to calculate pensioner cash equivalents on divorce  
- retirement not on grounds of ill health**

**Women**

Age last birthday at relevant date	Member's Pension of £1 per annum	Survivor's Pension of £1 pa	Deduction <sup>1</sup> for GMP of £1 pa	Deduction for NI modification of £1 pa
55	21.89	0.83	3.04	13.72
56	21.53	0.84	3.04	14.12
57	21.16	0.85	3.04	14.53
58	20.78	0.86	3.04	14.95
59	20.39	0.87	3.11	15.39
60	20.00	0.88	3.23	15.85
61	19.59	0.89	3.32	16.33
62	19.17	0.89	3.41	16.82
63	18.75	0.90	3.51	17.34
64	18.31	0.89	3.61	17.87
65	17.87	0.85	3.57	
66	17.41	0.84	3.40	
67	16.94	0.84	3.23	
68	16.46	0.84	3.06	
69	15.98	0.81	2.89	
70	15.48	0.75	2.72	
71	14.97	0.72	2.55	
72	14.45	0.72	2.39	
73	13.92	0.72	2.23	
74	13.38	0.67	2.08	
75	12.84	0.58	1.92	
76	12.29	0.54	1.78	
77	11.74	0.53	1.63	
78	11.18	0.53	1.50	
79	10.60	0.48	1.36	
80	10.03	0.38	1.23	
81	9.47	0.33	1.11	
82	8.90	0.32	1.00	
83	8.32	0.31	0.88	
84	7.75	0.27	0.78	
85	7.21	0.20	0.69	
86	6.71	0.16	0.60	
87	6.22	0.15	0.53	
88	5.76	0.15	0.46	
89	5.32	0.13	0.40	
90	4.93	0.09	0.35	
91	4.57	0.07	0.30	
92	4.25	0.06	0.26	
93	3.94	0.06	0.23	
94	3.65	0.06	0.20	
95	3.38	0.05	0.17	

**Notes:**

1. 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 323 : TPS, Factors to calculate pensioner cash equivalents on divorce  
- retirement on grounds of ill health – Ages 20-54**

<b>Men</b>				
<b>Age last birthday at relevant date</b>	<b>Member's Pension of £1 per annum</b>	<b>Survivor's Pension of £1 pa</b>	<b>Deduction<sup>1</sup> for GMP of £1 pa</b>	<b>Deduction for NI modification of £1 pa</b>
20	27.72	2.29	3.45	4.40
21	27.58	2.32	3.45	4.52
22	27.44	2.35	3.44	4.65
23	27.29	2.38	3.44	4.78
24	27.14	2.41	3.44	4.92
25	26.98	2.44	3.44	5.05
26	26.81	2.47	3.44	5.20
27	26.65	2.51	3.43	5.34
28	26.48	2.54	3.43	5.50
29	26.31	2.57	3.43	5.65
30	26.13	2.59	3.43	5.82
31	25.96	2.62	3.43	5.99
32	25.79	2.64	3.44	6.16
33	25.61	2.66	3.44	6.35
34	25.44	2.68	3.44	6.53
35	25.26	2.69	3.45	6.73
36	25.08	2.70	3.45	6.94
37	24.90	2.71	3.46	7.15
38	24.73	2.71	3.46	7.37
39	24.54	2.71	3.47	7.60
40	24.36	2.72	3.48	7.83
41	24.16	2.72	3.48	8.08
42	23.96	2.73	3.49	8.33
43	23.75	2.73	3.50	8.58
44	23.52	2.74	3.51	8.85
45	23.28	2.76	3.51	9.12
46	23.03	2.78	3.52	9.40
47	22.77	2.81	3.52	9.68
48	22.48	2.84	3.52	9.97
49	22.19	2.88	3.53	10.27
50	21.88	2.92	3.53	10.57
51	21.57	2.96	3.53	10.89
52	21.25	2.99	3.54	11.22
53	20.92	3.03	3.54	11.56
54	20.58	3.07	3.55	11.91

**Notes:**

1. 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 323 : TPS, Factors to calculate pensioner cash equivalents on divorce  
- retirement on grounds of ill health – Ages 55-95**

<b>Men</b>				
<b>Age last birthday at relevant date</b>	<b>Member's Pension of £1 per annum</b>	<b>Survivor's Pension of £1 pa</b>	<b>Deduction<sup>1</sup> for GMP of £1 pa</b>	<b>Deduction for NI modification of £1 pa</b>
55	20.24	3.10	3.55	12.28
56	19.89	3.13	3.56	12.67
57	19.54	3.17	3.57	13.07
58	19.17	3.20	3.58	13.49
59	18.80	3.23	3.60	13.93
60	18.43	3.25	3.61	14.40
61	18.05	3.28	3.63	14.89
62	17.67	3.30	3.65	15.40
63	17.28	3.31	3.67	15.95
64	16.89	3.32	3.78	16.52
65	16.44	3.34	3.80	
66	15.92	3.39	3.60	
67	15.38	3.45	3.40	
68	14.82	3.51	3.20	
69	14.23	3.56	3.00	
70	13.62	3.60	2.80	
71	13.00	3.65	2.60	
72	12.35	3.73	2.40	
73	11.70	3.80	2.20	
74	11.03	3.81	2.01	
75	10.44	3.71	1.82	
76	9.94	3.64	1.68	
77	9.44	3.62	1.55	
78	8.95	3.60	1.42	
79	8.47	3.46	1.30	
80	7.98	3.20	1.18	
81	7.50	3.06	1.06	
82	7.02	3.01	0.95	
83	6.55	2.95	0.85	
84	6.10	2.75	0.75	
85	5.65	2.42	0.66	
86	5.23	2.21	0.57	
87	4.82	2.13	0.49	
88	4.44	2.04	0.42	
89	4.09	1.79	0.36	
90	3.77	1.41	0.31	
91	3.48	1.19	0.26	
92	3.22	1.11	0.22	
93	2.99	1.05	0.19	
94	2.77	0.98	0.16	
95	2.57	0.91	0.13	

**Notes:**

1. 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 333 : TPS, Factors to calculate pensioner cash equivalents on divorce  
- retirement on grounds of ill health – Ages 20-54**

**Women**

Age last birthday at relevant date	Member's Pension of £1 per annum	Survivor's Pension of £1 pa	Deduction <sup>1</sup> for GMP of £1 pa	Deduction for NI modification of £1 pa
20	27.81	1.50	2.68	4.43
21	27.65	1.53	2.67	4.55
22	27.49	1.55	2.67	4.67
23	27.33	1.57	2.66	4.80
24	27.16	1.59	2.66	4.94
25	27.00	1.61	2.66	5.08
26	26.83	1.63	2.65	5.22
27	26.66	1.64	2.65	5.37
28	26.50	1.65	2.65	5.52
29	26.33	1.66	2.65	5.68
30	26.17	1.66	2.65	5.85
31	26.00	1.66	2.65	6.02
32	25.83	1.66	2.65	6.20
33	25.66	1.66	2.65	6.38
34	25.48	1.66	2.65	6.57
35	25.31	1.66	2.65	6.77
36	25.13	1.65	2.65	6.98
37	24.95	1.64	2.66	7.19
38	24.76	1.63	2.66	7.41
39	24.57	1.62	2.66	7.63
40	24.38	1.61	2.66	7.87
41	24.18	1.60	2.67	8.11
42	23.97	1.59	2.67	8.36
43	23.74	1.58	2.67	8.62
44	23.51	1.58	2.68	8.88
45	23.27	1.57	2.68	9.15
46	23.02	1.57	2.68	9.43
47	22.76	1.56	2.68	9.72
48	22.49	1.56	2.68	10.02
49	22.21	1.56	2.69	10.33
50	21.93	1.55	2.69	10.65
51	21.64	1.54	2.69	10.98
52	21.35	1.54	2.70	11.33
53	21.04	1.53	2.70	11.68
54	20.73	1.52	2.71	12.06

**Notes:**

1. 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 333 : TPS, Factors to calculate pensioner cash equivalents on divorce  
- retirement on grounds of ill health – Ages 55-95**

<b>Women</b>				
<b>Age last birthday at relevant date</b>	<b>Member's Pension of £1 per annum</b>	<b>Survivor's Pension of £1 pa</b>	<b>Deduction<sup>1</sup> for GMP of £1 pa</b>	<b>Deduction for NI modification of £1 pa</b>
55	20.42	1.51	2.72	12.45
56	20.09	1.50	2.72	12.85
57	19.75	1.49	2.73	13.27
58	19.41	1.48	2.74	13.70
59	19.05	1.47	2.81	14.16
60	18.69	1.46	2.93	14.63
61	18.31	1.44	3.02	15.12
62	17.93	1.43	3.11	15.64
63	17.53	1.42	3.21	16.18
64	17.13	1.38	3.31	16.74
65	16.72	1.31	3.28	
66	16.30	1.25	3.13	
67	15.87	1.23	2.97	
68	15.42	1.21	2.81	
69	14.96	1.14	2.65	
70	14.48	1.04	2.49	
71	13.99	0.98	2.33	
72	13.48	0.96	2.17	
73	12.97	0.94	2.02	
74	12.45	0.87	1.87	
75	11.93	0.74	1.72	
76	11.41	0.68	1.59	
77	10.90	0.66	1.46	
78	10.39	0.65	1.34	
79	9.88	0.58	1.23	
80	9.37	0.45	1.12	
81	8.85	0.38	1.01	
82	8.34	0.37	0.91	
83	7.84	0.35	0.81	
84	7.34	0.30	0.72	
85	6.86	0.22	0.64	
86	6.40	0.18	0.56	
87	5.96	0.17	0.49	
88	5.54	0.16	0.43	
89	5.16	0.13	0.38	
90	4.79	0.09	0.33	
91	4.46	0.07	0.29	
92	4.14	0.06	0.25	
93	3.84	0.06	0.22	
94	3.56	0.06	0.19	
95	3.29	0.05	0.16	

**Notes:**

1. 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.