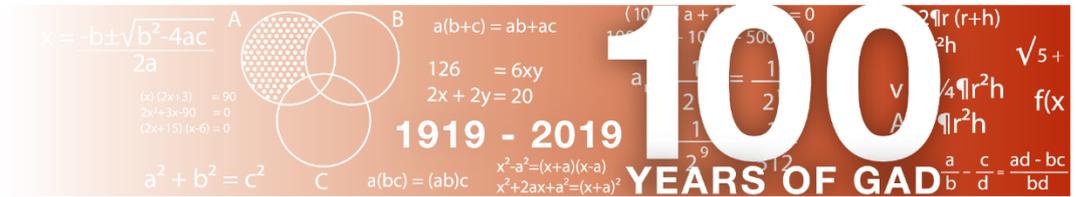




Government
Actuary's
Department



Teachers' Pension Scheme

Final salary sections and career average section

Cash equivalents on divorce

Factors and guidance

Date: 12 May 2021





Contents

1	Introduction	3
2	Adjustments for Guaranteed Minimum Pension	6
3	Cash equivalents on divorce: general considerations	8
4	Members already in receipt of benefits	10
5	Active and deferred members aged over NPA	13
6	Active and deferred members aged below NPA	15
7	Unusual cases	16
8	Worked examples	17
	Example 1: Female pensioner (aged below SPA)	17
	Example 2: Male pensioner (aged above SPA, and SPA before 6 April 2016)	18
	Example 3: Female active aged over NPA	19
	Example 4: Partially retired male member	20
9	Limitations of this guidance	22
	Appendix A: Factors	23
	Appendix B: Assumptions underlying factors	29



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 This guidance 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-partner.
- 1.3 The factors and the calculation methodology in this note have been updated from the previous iteration. The change in calculation methodology follows from the requirement to equalise GMPs, and full details of the change are set out in Section 2. The change only applies to members who have an accrued Guaranteed Minimum Pension (GMP) and who reach State Pension age on or after 6 April 2016.
- 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. Further details are set out in Section 7.
- 1.5 The guidance is split into the following sections:
- Section 2, which sets out the new approach to be used when making an adjustment to cash equivalents in respect of GMPs.
 - Section 3, which provides general guidance on the application of actuarial factors when calculating cash equivalents for divorce purposes.
 - Section 4, which contains instructions on how to calculate cash equivalents for divorce purposes for members who are already in receipt of benefits.
 - Section 5, which contains guidance and instructions on how to calculate cash equivalents for divorce purposes for active and deferred members over NPA.
 - Section 6, which contains guidance on how to calculate cash equivalents for divorce purposes for active and deferred members under NPA.
 - Section 7, which sets out some of the special cases that might arise and how these should be processed.
 - Section 8, which contains some worked examples.
 - Section 9, which sets out some important limitations of our work.
- 1.6 Appendix A contains the factor tables to use for these calculations under Sections 4 and 5. Details of the principal assumptions underlying these factor tables are set out in Appendix B.



- 1.7 The instructions and factors provided in this note are intended solely for the use of 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.

Implementation and Review

- 1.8 The factors provided in this note have been prepared in light of our advice to DfE dated 30 October 2018 and its instructions following that advice.
- 1.9 The factors contained in this Note should be used with effect from 29 October 2018. The effective date for this guidance is the date this guidance is issued.
- 1.10 This guidance is intended to supersede any advice previously issued for the purposes of pensioner cash equivalent on divorce calculations. No advice or factors issued in the past should be used for future cases. In particular, this guidance supersedes:

Teachers' Pension Scheme: Final salary sections and career average section: Pensioner cash equivalents on divorce – Factors and guidance, dated 17 March 2015.

- 1.11 This guidance has been written for pension administrators and assumes some knowledge of general pension terminology, and some familiarity with retirement calculations for the Teachers' Pension Scheme. Any questions concerning the application of the guidance should, in the first instance, be referred to the DfE.
- 1.12 In line with best practice and in order to make sure that factors are being used as intended and the instructions are fit for purpose, we suggest that some example calculations are sent to GAD for review.
- 1.13 The factors contained in this guidance will be subject to review periodically. This will depend on external circumstances, for example whenever there is a change in the SCAPE basis; when changes in the actuarial assumptions adopted for other scheme factors take place; or following each future actuarial valuation where mortality and other relevant experience is reviewed or if other credible and material information comes to light.

Third party reliance

- 1.14 This guidance has been prepared for the use of DfE 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 DfE 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.



- 1.15 Other than DfE 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.
- 1.16 The only change to this guidance note, from the previous version issued 27 October 2019, is the removal of reference to example service periods used in the calculation of spouses' benefits.



2 Adjustments for Guaranteed Minimum Pension

GMP equalisation: impact on calculations

- 2.1 The calculations and formulae in this guidance contain adjustments to reflect the inflationary increases on a member's Guaranteed Minimum Pension (GMP), which have historically been the responsibility of the State Scheme after GMP Payment Age.
- 2.2 In previous versions of this guidance, this GMP adjustment was applied to all cash equivalent calculations.
- 2.3 However, following the requirement to equalise GMPs, as set out in our letter "*GMP Equalisation: Calculations involving actuarial factors*" dated 12 August 2019, and with effect from the date of this guidance:

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

- 2.4 The cohorts of members who will be affected by this change will be:
- Males with a date of birth on or after 6 April 1951 **and** an accrued GMP
 - Females with a date of birth on or after 6 April 1953 **and** an accrued GMP
- 2.5 For affected members listed above, calculations should be undertaken using the methodology set out in this guidance note but with any GMP (pre or post 1988) set to zero.
- 2.6 For the majority of affected calculations the difference between the original and revised quotation is expected to be small, relative to the total transfer value. Not applying the GMP adjustment factors will increase the total transfer value.
- 2.7 No change should be made to existing methodology for members who reached State Pension age before 6 April 2016.

Transitional arrangements

- 2.8 We have suggested to DfE that the following transitional arrangements could be reasonable to apply to the affected members listed above.
- New requests for a quotation as part of divorce proceedings, or new calculations after a pension sharing order has been made
GMP adjustment factors should no longer be applied.



- For existing requests for a quotation as part of divorce proceedings, but where final determination is yet to be made

Where possible to do so, the scheme administrator should identify any cases where GMP adjustment factors have been applied and provide a revised quotation. This mitigates the risk of challenge due to a failure to notify the court of a change in valuation.

- Existing requests where a pension sharing order has been made, but calculations have not yet been provided to the member

GMP adjustment factors should no longer be applied. This is the case even when the date of the calculation is prior to the date of this guidance

- Existing requests where a pension sharing order has been made, and results were provided to the member before the date of this guidance

No changes should be made to existing calculations where the member and/or ex-partner has already been provided with the results. This includes cases where a pension sharing order has already been implemented.



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 benefits in the TPS, as required for the divorce proceedings. If the other party in the divorce proceedings also has TPS benefits, then separate valuations are required in respect of those pension rights.
- 3.3 The calculations required and the factor tables used depend on the status of the member at the calculation date, including their age, gender, normal pension age and the date on which they will reach (or did reach) State Pension age.

Calculation Date

- 3.4 The **calculation date** will depend on the stage of the divorce:
- If a quotation is required for part of the proceedings, in Scottish cases, the calculation date will usually be specified by the court. For divorces in England, Wales and Northern Ireland, the calculation date used should be consistent with the date used for normal transfer value calculations (i.e. the guarantee date).
 - If the calculation is being done after a pension sharing order has been made, the calculation date should be day on which the relevant order or provision takes effect. This is often referred to as the “transfer day”, as defined in section 29 of the Welfare Reform and Pensions Act 1999¹ (the 1999 Act).

Selection of factors

- 3.5 Factors should be selected with reference to the member's status and age last birthday at the **calculation date**, which should be determined in line with the section above.
- 3.6 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 date on which administrators process the calculation (sometimes referred to as the “valuation day”, as defined in section 29 of the 1999 Act). 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.

¹ The Welfare Reform and Pensions Act 1999 ([1999 c. 30](#)) applies in England, Wales and Scotland. The corresponding legislation in Northern Ireland is Article 26 of The Welfare Reform and Pensions (Northern Ireland) Order 1999 ([1999 No. 3147](#)).



Benefits to be valued

- 3.7 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 *Teachers' Pension Scheme: Final salary sections and career average section: Cash equivalent transfer values (CETVs): Factors and guidance*, for active and deferred members.
- 3.8 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 consistent with the requirements set out in section 29 of the 1999 Act:

"Where the [pension scheme member] is in pensionable service under the scheme on the transfer day, the relevant benefits ... are the benefits or future benefits to which he would be entitled under the scheme by virtue of his shareable rights under it had his pensionable service terminated immediately before that day. Otherwise, the relevant benefits ... are the benefits or future benefits to which, immediately before the transfer day, the [member] is entitled..."



4 Members already in receipt of benefits

- 4.1 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**.
- 4.2 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 cover a wider range of ages (as members can only retire in normal health from age 55).

Calculation date

- 4.3 The calculation date should be selected in line with Section 3 of this guidance note.
- 4.4 The status of the member, the member's age last birthday and the benefits to be valued should all be taken at the calculation date. Further details on the benefits to be used are set out below.

Guaranteed Minimum Pension

- 4.5 In line with Section 2 of the guidance note, GMP adjustments should not be applied to calculations for members who reach State Pension age on or after 6 April 2016.
- 4.6 For these members, calculations should be undertaken using the methodology set out below, but with any GMP (pre or post 1988) set to zero.



Calculation

4.7 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 4.10 below
- S 'Survivor's pension' - pension payable on the death of the member to their eligible partner, in respect of a post exit marriage
- G^{pre} annual GMP accrued before 6 April 1988, including revaluation to the calculation date (for members who reached SPA before 6 April 2016)
- or
- zero (for members who reached SPA on or after 6 April 2016)
- G^{post} annual GMP accrued after 6 April 1988, including revaluation to the calculation date (for members who reached SPA before 6 April 2016)
- or
- zero (for members who reached SPA on or after 6 April 2016)
- NI National Insurance modification, where applicable – see paragraph 4.12
- 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

4.8 Factors should be selected depending on whether a member retired in ill-health or not and with reference to their sex and age last birthday at the calculation date.

4.9 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.

4.10 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

4.11 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.



- 4.12 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 4.7) simplifies to:

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

- 4.13 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

- 4.14 For members who reached State Pension age before 6 April 2016, 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.
- 4.15 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.
- 4.16 Where needed, 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

- 4.17 An adjustment may be needed for National Insurance modification. This will apply where a member is under state pension age.
- 4.18 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.



5 Active and deferred members aged over NPA

- 5.1 These members should be valued as though they were immediate pensioners.
- 5.2 It is our understanding that deferred members over scheme NPA will be provided with a CETV, and separate information about other prior entitlements. The CETV will reflect pension payments from the calculation date. Backpayments potentially due to the member in respect of the period between NPA and the calculation date, and the amount of any automatic lump sum due at NPA, will not be included in the CETV. Details of these benefits will be separately provided to the court.
- 5.3 The pensioner cash equivalent is calculated differently for members aged over NPA in the NPA 60 final salary section and for members aged over NPA in the NPA 65 or career average sections.

Active or deferred members aged over NPA in NPA 65 final salary section or the career average section

- 5.4 For an active or a deferred 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 payable at the calculation date:
- include any late retirement uplift that is applicable
- be after the deduction of any National Insurance modification

All other items are as defined in paragraph 4.7.

Active or deferred members aged 60-64 in the NPA 60 final salary section

- 5.5 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 4.7.

The same formula should be used for deferred members. However no retirement lump sum LS should be used, and pension entitlements should reflect those payable at the calculation date. This is because, as described in section 5.2 above, details of any backpayments and lump sums will be provided to the court separately.



Active or deferred members aged 65 or above in the NPA 60 final salary section

- 5.6 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 4.7.

The same formula should be used for deferred members. However no retirement lump sum LS should be used, and pension entitlements should reflect those payable at the calculation date. This is because, as described in section 5.2 above, details of any backpayments and lump sums will be provided to the court separately.



6 Active and deferred members aged below NPA

- 6.1 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 (i.e. non-Club transfer out), even if the member is not normally entitled to a transfer value.
- 6.2 Please refer to our latest guidance note entitled "*Teachers' Pension Scheme: Final salary sections and career average section: Cash equivalent transfer values (CETVs): Factors and guidance*" for the calculation formulae and the factor tables to use. The calculation date should be selected in line with Section 3 of this guidance note.



7 Unusual cases

- 7.1 The instructions in sections 2 to 6 of this guidance should be sufficient for the majority of divorce calculations. However, there may be some cases that need different treatment, as described below. If other cases arise which are not covered by this guidance, these should be referred to GAD.

Members with multiple tranches of benefits

- 7.2 There are several cases in which a member can accrue more than one tranche of benefits in the TPS. Examples include, but are not limited to:

- mixed service members with both NPA 60 and NPA 65 service
- members with benefits in both the final salary and the career average sections
- members with additional service after retirement
- partially retired members

- 7.3 In these circumstances separate cash equivalents should be calculated for each tranche of benefits. Any tranches of benefit that are already in payment should be calculated in line with Section 4, whereas any tranches of benefit not yet taken should be calculated in line with Section 5 or 6, as appropriate.

- 7.4 The resultant answers added together will give the total cash equivalent. 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.

Members with one or more existing pension debits

- 7.5 Where a member has one or more pension debits (either in respect of a previous divorce or one or more annual allowance tax charges), the cash equivalent should be calculated in two stages.

1. The gross cash equivalent should be calculated ignoring all pension debits.
2. The value of each pension debit (revalued to the calculation date) should be calculated as the cash equivalent of a deferred pension of the same amount as the debit.

- 7.6 The final cash equivalent to be used for divorce purposes is the gross cash equivalent calculated in stage one, less the value of all pension debits calculated in stage two.



8 Worked examples

Example 1: Female pensioner (aged below SPA)

Date of birth	18/08/1964
Sex	Female
Date of State Pension age	18/08/2031
Calculation date	15/04/2020
Age last birthday	55 years
Type of pensioner	Not ill health
Amount of current annual pension at calculation date	£10,000
Amount of annual partner pension at calculation date	£3,750
Amount of annual pre 88 GMP at calculation date	N/A*
Amount of annual post 88 GMP at calculation date	N/A*
Amount of annual NI modification at calculation date	£5

* 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.

Relevant formula	Paragraph 4.7
Relevant table	Table 313
Pension factor	23.17
Partner's pension factor	1.38
GMP deduction factor	3.04
NI modification deduction factor	13.72

$$\begin{aligned}
 \text{CE} &= P \times F_x^P + S \times F_x^S - (G^{pre} + 0.15 \times G^{post}) \times F_x^G - NI \times F_x^{NI} \\
 &= £10,000 \times 23.17 + £3,750 \times 1.38 - (0 + 0.15 \times 0) \times 3.04 - £5 \times 13.72 \\
 &= \underline{\underline{£236,806.40}}
 \end{aligned}$$



Example 2: Male pensioner (aged above SPA, and SPA before 6 April 2016)

Date of birth	18/08/1950
Sex	Male
Date of State Pension age	18/08/2015
Calculation date	15/04/2020
Age last birthday	69 years
Type of pensioner	Ill health
Amount of current annual pension at calculation date	£10,000
Amount of annual partner pension at calculation date	£5,000
Amount of annual pre 88 GMP at calculation date	£150*
Amount of annual post 88 GMP at calculation date	£350*

* *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.*

Relevant formula	Paragraph 4.12
Relevant table	Table 323
Pension factor	14.60
Partner's pension factor	1.90
GMP deduction factor	3.00

$$\begin{aligned}
 \text{CE} &= P \times F_x^P + S \times F_x^S - (G^{pre} + 0.15 \times G^{post}) \times F_x^G \\
 &= £10,000 \times 14.60 + £5,000 \times 1.90 - (£150 + 0.15 \times £350) \times 3.00 \\
 &= \underline{\underline{£154,892.50}}
 \end{aligned}$$



Example 3: Female active aged over NPA

Date of birth	18/08/1955
Sex	Female
Date of State Pension age	18/08/2021
Calculation date	15/04/2020
Age last birthday	64 years
Scheme section	NPA 60 section
Accrued annual pension at calculation date	£10,000
Accrued lump sum at calculation date	£30,000
Accrued annual partner pension at calculation date	£5,000
Accrued annual pre 88 GMP at calculation date	N/A*
Accrued annual post 88 GMP at calculation date	N/A*
Accrued annual NI modification at calculation date	£5

* 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.

Relevant formula	Paragraph 5.5
Relevant table	Table 313
Pension factor	18.68
Partner's pension factor	1.50
GMP deduction factor	3.61
NI modification deduction factor	17.87

$$\begin{aligned}
 CE &= P \times F_x^P + S \times F_x^S - (G^{pre} + 0.15 \times G^{post}) \times F_x^G - NI \times F_x^{NI} + LS \\
 &= £10,000 \times 18.68 + £5,000 \times 1.50 - (0 + 0.15 \times 0) \times 3.61 - £5 \times 17.87 + £30,000 \\
 &= \underline{\underline{£224,210.65}}
 \end{aligned}$$



Example 4: Partially retired male member

Date of birth	18/08/1955
Sex	Male
Date of State Pension age	18/08/2021
Calculation date	15/04/2020
Age last birthday	64 years

Tranche 1 – partial retirement benefits

Scheme section	NPA 60 section
Type of pensioner	Not Ill health
Member status	Pensioner
Amount of current annual pension at calculation date	£7,500
Amount of annual partner pension at calculation date	£0 (valued in Tranche 2)
Amount of lump sum to be valued	£0 (paid at retirement)
Amount of annual pre 88 GMP at calculation date	N/A*
Amount of annual post 88 GMP at calculation date	N/A*
Amount of annual NI modification at calculation date	£5

* 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.

Tranche 1 cash equivalent

Relevant formula	Paragraph 4.7
Relevant table	Table 303
Pension factor	18.68
Partner's pension factor	1.50
GMP deduction factor	3.68
NI modification deduction factor	16.67

$$\begin{aligned}
 \text{CE} &= P \times F_x^P + S \times F_x^S - (G^{\text{pre}} + 0.15 \times G^{\text{post}}) \times F_x^G - \text{NI} \times F_x^{\text{NI}} \\
 &= £7,500 \times 18.68 + £0 \times 1.50 - (0 + 0.15 \times 0) \times 3.68 - £5 \times 16.67 \\
 &= \underline{\underline{£140,016.65}}
 \end{aligned}$$



Tranche 2 – benefits not taken at time of partial retirement and additional accrual

Scheme section	NPA 60 section
Member status	Active over NPA
Accrued annual pension at calculation date	£3,500
Accrued lump sum at calculation date	£10,500
Accrued annual partner pension at calculation date	£5,500
Accrued annual pre 88 GMP at calculation date	N/A* (if required, pre 88 GMP would be valued in Tranche 1)
Accrued annual post 88 GMP at calculation date	N/A* (if required, post 88 GMP would be valued in Tranche 1)
Accrued annual NI modification at calculation date	£0 (valued in Tranche 1)

* 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.

Tranche 2 cash equivalent

Relevant formula	Paragraph 5.5
Relevant table	Table 303
Pension factor	18.68
Partner's pension factor	1.50
GMP deduction factor	3.68
NI modification deduction factor	16.67

$$\begin{aligned}
 \text{CE} &= P \times F_x^P + S \times F_x^S - (G^{\text{pre}} + 0.15 \times G^{\text{post}}) \times F_x^G - \text{NI} \times F_x^{\text{NI}} + \text{LS} \\
 &= £3,500 \times 18.68 + £5,500 \times 1.50 - (0 + 0.15 \times 0) \times 3.68 - £0 \times 16.67 + £10,500 \\
 &= \underline{\underline{£84,130.00}}
 \end{aligned}$$

Total cash equivalent

$$\begin{aligned}
 \text{CE} &= £140,016.65 + £84,130.00 \\
 &= \underline{\underline{£224,146.65}}
 \end{aligned}$$



9 Limitations of this guidance

- 9.1 This guidance should not be used for any purpose other than those set out in this guidance.
- 9.2 The factors contained in this guidance are subject to regular review. Scheme managers and administrators need to ensure that they are using the latest factors, as relevant, when processing cases.
- 9.3 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.
- 9.4 This guidance only covers the actuarial principles around the calculation and application of cash equivalent factors for pension sharing on divorce. Any legal advice in this area should be sought from an appropriately qualified person or source.
- 9.5 Scheme managers and administrators should satisfy themselves that cash equivalent calculations and benefit awards for pension sharing on divorce comply with all legislative requirements including, but not limited to, tax and contracting-out requirements.
- 9.6 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 DfE and GAD. Under no circumstances should this guidance take precedence over the Regulations. Administrators should ensure that they comply with all relevant Regulations.



Appendix A: Factors

**Table 303: TPS, Factors to calculate pensioner cash equivalents on divorce
- retirement not on grounds of ill health
(Table 301 in consolidated factors spreadsheet)**

Men

Age last birthday at relevant date	Member's Pension of £1 per annum	Survivor's Pension of £1 pa	Deduction for GMP of £1 pa	Deduction for NI modification of £1 pa
55	23.17	1.38	3.54	12.71
56	22.71	1.39	3.54	13.09
57	22.24	1.41	3.55	13.48
58	21.77	1.43	3.55	13.88
59	21.28	1.44	3.55	14.30
60	20.78	1.46	3.56	14.74
61	20.27	1.47	3.57	15.19
62	19.74	1.48	3.57	15.66
63	19.21	1.50	3.58	16.16
64	18.68	1.50	3.68	16.67
65	18.13	1.49	3.68	
66	17.58	1.49	3.50	
67	17.03	1.50	3.33	
68	16.46	1.51	3.15	
69	15.89	1.49	2.98	
70	15.30	1.45	2.81	
71	14.72	1.43	2.64	
72	14.12	1.43	2.47	
73	13.52	1.42	2.31	
74	12.91	1.38	2.15	
75	12.31	1.29	1.99	
76	11.70	1.24	1.84	
77	11.09	1.23	1.70	
78	10.48	1.22	1.56	
79	9.88	1.15	1.42	
80	9.28	1.03	1.29	
81	8.71	0.96	1.17	
82	8.13	0.94	1.05	
83	7.57	0.92	0.93	
84	7.02	0.84	0.82	
85	6.49	0.72	0.72	
86	6.01	0.65	0.63	
87	5.54	0.62	0.54	
88	5.09	0.59	0.47	
89	4.67	0.52	0.40	
90	4.29	0.40	0.34	
91	3.95	0.33	0.29	
92	3.63	0.31	0.25	
93	3.35	0.29	0.21	
94	3.09	0.27	0.18	
95	2.85	0.26	0.15	

Notes:

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**

(Table 302 in consolidated factors spreadsheet)

Women

Age last birthday at relevant date	Member's Pension of £1 per annum	Survivor's Pension of £1 pa	Deduction ¹ for GMP of £1 pa	Deduction for NI modification of £1 pa
55	23.17	1.38	3.04	13.72
56	22.71	1.39	3.04	14.12
57	22.24	1.41	3.04	14.53
58	21.77	1.43	3.04	14.95
59	21.28	1.44	3.11	15.39
60	20.78	1.46	3.23	15.85
61	20.27	1.47	3.32	16.33
62	19.74	1.48	3.41	16.82
63	19.21	1.50	3.51	17.34
64	18.68	1.50	3.61	17.87
65	18.13	1.49	3.57	
66	17.58	1.49	3.40	
67	17.03	1.50	3.23	
68	16.46	1.51	3.06	
69	15.89	1.49	2.89	
70	15.30	1.45	2.72	
71	14.72	1.43	2.55	
72	14.12	1.43	2.39	
73	13.52	1.42	2.23	
74	12.91	1.38	2.08	
75	12.31	1.29	1.92	
76	11.70	1.24	1.78	
77	11.09	1.23	1.63	
78	10.48	1.22	1.50	
79	9.88	1.15	1.36	
80	9.28	1.03	1.23	
81	8.71	0.96	1.11	
82	8.13	0.94	1.00	
83	7.57	0.92	0.88	
84	7.02	0.84	0.78	
85	6.49	0.72	0.69	
86	6.01	0.65	0.60	
87	5.54	0.62	0.53	
88	5.09	0.59	0.46	
89	4.67	0.52	0.40	
90	4.29	0.40	0.35	
91	3.95	0.33	0.30	
92	3.63	0.31	0.26	
93	3.35	0.29	0.23	
94	3.09	0.27	0.20	
95	2.85	0.26	0.17	

Notes:

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**

(Table 303 in consolidated factors spreadsheet)

Men

Age last birthday at relevant date	Member's Pension of £1 per annum	Survivor's Pension of £1 pa	Deduction ¹ for GMP of £1 pa	Deduction for NI modification of £1 pa
20	30.25	2.86	3.45	4.40
21	30.06	2.86	3.45	4.52
22	29.87	2.86	3.44	4.65
23	29.68	2.85	3.44	4.78
24	29.48	2.85	3.44	4.92
25	29.29	2.84	3.44	5.05
26	29.09	2.83	3.44	5.20
27	28.90	2.82	3.43	5.34
28	28.70	2.80	3.43	5.50
29	28.51	2.78	3.43	5.65
30	28.32	2.76	3.43	5.82
31	28.12	2.74	3.43	5.99
32	27.92	2.71	3.44	6.16
33	27.72	2.68	3.44	6.35
34	27.51	2.66	3.44	6.53
35	27.30	2.63	3.45	6.73
36	27.08	2.60	3.45	6.94
37	26.86	2.57	3.46	7.15
38	26.63	2.54	3.46	7.37
39	26.40	2.50	3.47	7.60
40	26.16	2.47	3.48	7.83
41	25.90	2.44	3.48	8.08
42	25.64	2.42	3.49	8.33
43	25.37	2.39	3.50	8.58
44	25.09	2.36	3.51	8.85
45	24.80	2.34	3.51	9.12
46	24.49	2.32	3.52	9.40
47	24.17	2.30	3.52	9.68
48	23.85	2.28	3.52	9.97
49	23.51	2.26	3.53	10.27
50	23.16	2.25	3.53	10.57
51	22.80	2.23	3.53	10.89
52	22.43	2.22	3.54	11.22
53	22.05	2.20	3.54	11.56
54	21.66	2.19	3.55	11.91

Notes:

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 (continued): TPS, Factors to calculate pensioner cash equivalents on divorce
- retirement on grounds of ill health – Ages 55-95**

(Table 303 in consolidated factors spreadsheet)

Men

Age last birthday at relevant date	Member's Pension of £1 per annum	Survivor's Pension of £1 pa	Deduction ¹ for GMP of £1 pa	Deduction for NI modification of £1 pa
55	21.26	2.17	3.55	12.28
56	20.85	2.16	3.56	12.67
57	20.43	2.14	3.57	13.07
58	20.01	2.13	3.58	13.49
59	19.57	2.11	3.60	13.93
60	19.12	2.10	3.61	14.40
61	18.66	2.08	3.63	14.89
62	18.19	2.07	3.65	15.40
63	17.71	2.06	3.67	15.95
64	17.22	2.03	3.78	16.52
65	16.71	1.99	3.80	
66	16.20	1.97	3.60	
67	15.67	1.96	3.40	
68	15.14	1.95	3.20	
69	14.60	1.90	3.00	
70	14.05	1.83	2.80	
71	13.49	1.78	2.60	
72	12.93	1.77	2.40	
73	12.37	1.75	2.20	
74	11.80	1.68	2.01	
75	11.23	1.56	1.82	
76	10.67	1.48	1.68	
77	10.10	1.46	1.55	
78	9.55	1.43	1.42	
79	9.00	1.34	1.30	
80	8.45	1.19	1.18	
81	7.92	1.10	1.06	
82	7.39	1.07	0.95	
83	6.88	1.03	0.85	
84	6.38	0.94	0.75	
85	5.90	0.80	0.66	
86	5.45	0.71	0.57	
87	5.02	0.68	0.49	
88	4.63	0.65	0.42	
89	4.26	0.56	0.36	
90	3.92	0.43	0.31	
91	3.60	0.36	0.26	
92	3.30	0.34	0.22	
93	3.03	0.31	0.19	
94	2.78	0.29	0.16	
95	2.55	0.27	0.13	

Notes:

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**

(Table 304 in consolidated factors spreadsheet)

Women

Age last birthday at relevant date	Member's Pension of £1 per annum	Survivor's Pension of £1 pa	Deduction ¹ for GMP of £1 pa	Deduction for NI modification of £1 pa
20	30.25	2.86	2.68	4.43
21	30.06	2.86	2.67	4.55
22	29.87	2.86	2.67	4.67
23	29.68	2.85	2.66	4.80
24	29.48	2.85	2.66	4.94
25	29.29	2.84	2.66	5.08
26	29.09	2.83	2.65	5.22
27	28.90	2.82	2.65	5.37
28	28.70	2.80	2.65	5.52
29	28.51	2.78	2.65	5.68
30	28.32	2.76	2.65	5.85
31	28.12	2.74	2.65	6.02
32	27.92	2.71	2.65	6.20
33	27.72	2.68	2.65	6.38
34	27.51	2.66	2.65	6.57
35	27.30	2.63	2.65	6.77
36	27.08	2.60	2.65	6.98
37	26.86	2.57	2.66	7.19
38	26.63	2.54	2.66	7.41
39	26.40	2.50	2.66	7.63
40	26.16	2.47	2.66	7.87
41	25.90	2.44	2.67	8.11
42	25.64	2.42	2.67	8.36
43	25.37	2.39	2.67	8.62
44	25.09	2.36	2.68	8.88
45	24.80	2.34	2.68	9.15
46	24.49	2.32	2.68	9.43
47	24.17	2.30	2.68	9.72
48	23.85	2.28	2.68	10.02
49	23.51	2.26	2.69	10.33
50	23.16	2.25	2.69	10.65
51	22.80	2.23	2.69	10.98
52	22.43	2.22	2.70	11.33
53	22.05	2.20	2.70	11.68
54	21.66	2.19	2.71	12.06

Notes:

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 (continued): TPS, Factors to calculate pensioner cash equivalents on divorce - retirement on grounds of ill health – Ages 55-95

(Table 304 in consolidated factors spreadsheet)

Women

Age last birthday at relevant date	Member's Pension of £1 per annum	Survivor's Pension of £1 pa	Deduction ¹ for GMP of £1 pa	Deduction for NI modification of £1 pa
55	21.26	2.17	2.72	12.45
56	20.85	2.16	2.72	12.85
57	20.43	2.14	2.73	13.27
58	20.01	2.13	2.74	13.70
59	19.57	2.11	2.81	14.16
60	19.12	2.10	2.93	14.63
61	18.66	2.08	3.02	15.12
62	18.19	2.07	3.11	15.64
63	17.71	2.06	3.21	16.18
64	17.22	2.03	3.31	16.74
65	16.71	1.99	3.28	
66	16.20	1.97	3.13	
67	15.67	1.96	2.97	
68	15.14	1.95	2.81	
69	14.60	1.90	2.65	
70	14.05	1.83	2.49	
71	13.49	1.78	2.33	
72	12.93	1.77	2.17	
73	12.37	1.75	2.02	
74	11.80	1.68	1.87	
75	11.23	1.56	1.72	
76	10.67	1.48	1.59	
77	10.10	1.46	1.46	
78	9.55	1.43	1.34	
79	9.00	1.34	1.23	
80	8.45	1.19	1.12	
81	7.92	1.10	1.01	
82	7.39	1.07	0.91	
83	6.88	1.03	0.81	
84	6.38	0.94	0.72	
85	5.90	0.80	0.64	
86	5.45	0.71	0.56	
87	5.02	0.68	0.49	
88	4.63	0.65	0.43	
89	4.26	0.56	0.38	
90	3.92	0.43	0.33	
91	3.60	0.36	0.29	
92	3.30	0.34	0.25	
93	3.03	0.31	0.22	
94	2.78	0.29	0.19	
95	2.55	0.27	0.16	

Notes:

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



Appendix B: Assumptions underlying factors

Financial assumptions

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

Mortality assumptions

Base mortality tables and adjustments:

	Males	Females
Retirements in normal health	106% of S2NMA_L	Age dependant adjustments to S1NFA_L ² : ≤79: 75% 80-84: 86% 85-89: 100% ≥90: 108%
Retirements in ill-health	Age dependent assumption ³ : ≤75: 70% of S2IMA with an underpin of 119% of S2NMA >75: 119% of S2NMA	Age dependent assumption ³ : ≤75: 85% of S2IFA with an underpin of 114% of S2NFA >75: 114% of S2NFA
Dependants	120% of S2NMA	95% of S2DFA

Future mortality improvements

Based on ONS principal UK population projections 2016

Year of Use

2020

Other assumptions

Proportion of male members for unisex factors	30%
Proportion partnered	As per 2016 valuation assumptions
Age difference between member and partner	Males assumed 3 years older than their partners and female members assumed 2 years younger than their partners
Allowance for commutation	Nil

² Age at time assumption is applied

³ Age at 31 March 2016