





## Contents

<b>1</b>	<b>Introduction</b>	<b>1</b>
<b>2</b>	<b>Adjustments for Guaranteed Minimum Pension</b>	<b>4</b>
<b>3</b>	<b>Cash equivalents on divorce: general considerations</b>	<b>6</b>
<b>4</b>	<b>Calculation of cash equivalents: Contributing Members and Deferred Pensioners not entitled to an immediate pension without actuarial reduction</b>	<b>8</b>
<b>5</b>	<b>Calculation of cash equivalents: Members already in receipt of benefits</b>	<b>9</b>
<b>6</b>	<b>Calculation of cash equivalents: Unusual cases</b>	<b>12</b>
<b>7</b>	<b>Calculation of pension credits for ex-partner</b>	<b>14</b>
<b>8</b>	<b>Calculation of pension debit and treatment of debits on early and late retirement</b>	<b>16</b>
<b>9</b>	<b>Example calculations</b>	<b>18</b>
	<b>Appendix A: Assumptions underlying factors</b>	<b>22</b>
	<b>Appendix B: Factors for calculation of Cash Equivalents</b>	<b>23</b>
	<b>Appendix C: Factors for calculation of Pension Credits</b>	<b>27</b>
	<b>Appendix D: Limitations</b>	<b>28</b>



## 1 Introduction

- 1.1 This Note is provided for the use of the NHSBSA as administrator of the National Health Service Pension Scheme 2015 ('NHSPS 2015' or the 'Scheme'). It sets out how to determine the appropriate cash equivalent of a member's benefits for the purposes of divorce or dissolution of civil partnership ('divorce') and also the corresponding pension credit payable to the ex-partner, following the issue of a pension sharing order by the Court.
- 1.2 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.
- 1.3 The remainder of this Note covers the factor tables and guidance on their use. The factors are provided in Appendices B and C, whilst a summary of the underlying assumptions is given in Appendix A. Some important limitations can be found in Appendix D.

### Exclusions

- 1.4 This Note covers the calculation of a cash equivalent of a member's benefits for divorce purposes and the subsequent pension credits payable<sup>1</sup>. This Note does not cover the general application of pension debits to a member's benefits although reductions and uplifts to the debit due on early or late retirement respectively are covered in Section 8.
- 1.5 The factors set out in Appendices B and C cover the following scenarios:

DIV1	Factors to calculate the pensioner cash equivalent for pensioners who retired for any reason other than ill-health grounds
DIV2	Factors to calculate the pensioner cash equivalent for pensioners who retired on ill-health grounds
DIV3	Factors to calculate the pension credit for an ex-partner who has attained normal pension age (i.e. immediate benefits are established)

- 1.6 Other factors are required for divorce calculations for members not in receipt of benefits and for ex-partners under NPA. These factors are provided in the CETV guidance note and cross referenced in the examples provided in this document.

<sup>1</sup> See SI 2015/94 Regulation 76



## Implementation and Review

- 1.7 The factors provided in this Note have been prepared in light of our advice to the Department of Health and Social Care dated 30 October 2018 and its instructions following that advice.
- 1.8 The factors contained in this Note should be used with effect from 29 October 2018. The effective date for this guidance is the date on the front cover.
- 1.9 The cash equivalent and pension credit factors in this Note are consistent with each other, and consistent with the non-club cash equivalent transfer value factors implemented on 29 October 2018.
- 1.10 This guidance is intended to supersede any factors or advice previously issued for the purposes of divorce calculations. In particular, this guidance supersedes:  
  
*National Health Service Pension Scheme 2015: Pensioner sharing following divorce: Factors and guidance*, dated 6 March 2015 (updated August 2015).
- 1.11 No advice or factors issued in the past should be used for cases going forward. No advice or factors issued for the National Health Service Pension Scheme ('NHSPS') should be used for divorce cases in the NHSPS 2015.
- 1.12 Where a member has benefits in both the NHSPS and the NHSPS 2015, these benefits should be treated separately for the purposes of providing cash equivalents. Care should be taken in applying court orders for such members; it is expected that a separate order will be issued for each scheme.
- 1.13 This guidance has been written for pension administrators and assumes some knowledge of general pension terminology, and some familiarity with retirement calculations for the NHS Pension Scheme 2015. Any questions concerning the application of the guidance should, in the first instance, be referred to the NHSBSA.
- 1.14 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.
- 1.15 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**

- 1.16 This guidance has been prepared for the use of DHSC and NHSBSA, as the scheme administrators, for the purposes of demonstrating the application of the factors covered by this guidance only. This guidance may be published on NHSBSA'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 Other than DHSC and NHSBSA, no person or third party is entitled to place any reliance on the contents of this guidance, except to any extent explicitly stated herein. GAD has no liability to any person or third party for any action taken or for any failure to act, either in whole or in part, on the basis of this guidance, whether or not GAD has agreed to the disclosure of its advice to the third party.



## 2 Adjustments for Guaranteed Minimum Pension

### GMP equalisation: impact on calculations

- 2.1 The calculations and formulae in this guidance contain adjustments to reflect the inflationary increases on a member's Guaranteed Minimum Pension (GMP), which have historically been the responsibility of the State Scheme after GMP 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 2 August 2019, and with effect from the date of this guidance note:

**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 DHSC have determined that the following transitional arrangements should 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 note

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

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 the NHSPS 2015, as required for the divorce proceedings. If the other party in the divorce proceedings also has NHSPS 2015 benefits, or either party has NHSPS 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.
- 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 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 the 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 1999<sup>2</sup> (the 1999 Act).

#### Selection of factors

- 3.6 Where a cash equivalent is to be calculated, 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.

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<sup>2</sup> 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](#)).





- 3.7 Where pension credit benefits for an ex-partner are to be calculated, factors should be selected with reference to the ex-partner's age last birthday at the **calculation date**, and the ex-partner's normal pension age. The factors in this note should only be used to calculate the benefits for the ex-partner if the cash equivalent has been calculated using consistent factors (as described in 1.9 above). If there is any doubt over which factors should be used, please contact GAD.
- 3.8 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.

#### **Benefits to be valued**

- 3.9 Full details of the benefits to be included in the calculation of cash equivalents for divorce purposes are set out in section 5, for members in receipt of scheme benefits, and the latest version of our guidance note entitled *National Health Service Pension Scheme 2015: Non-Club Transfers (CETVs): Factors and guidance*, for active and deferred members.
- 3.10 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 Calculation of cash equivalents: Contributing Members and Deferred Pensioners not entitled to an immediate pension without actuarial reduction**

- 4.1 The cash equivalent transfer value should normally be quoted. This should be calculated using the same approach as would apply to a normal non-Club transfer value, even if the member is not normally entitled to a transfer value. This calculation is covered in the latest version of our guidance note entitled *National Health Service Pension Scheme 2015: Non-Club Transfers (CETVs): Factors and guidance*.
- 4.2 The calculation date should be selected in line with Section 3 of this guidance note.
- 4.3 There may be additional information requirements and considerations required where members have previously elected for Scheme Pays. In general benefits yet to be put into payment should be reduced in respect of any outstanding Scheme Pays balance in order to determine the cash equivalent. Please see the latest version of our guidance note entitled *National Health Service Pension Scheme 2015: Reduction to benefits due to Scheme Pays Annual Allowance and Lifetime Allowance Tax Charges: Factors and guidance* for further details.
- 4.4 If the member's pension is due to be reduced because an allocation option has been taken out, then the benefits after allocation should be used i.e. reduced member's pension and increased dependant's pension (including subsequent pension increases).



## 5 Calculation of cash equivalents: Members already in receipt of benefits

### General information

- 5.1 Those in receipt of benefits do not have an entitlement to a cash equivalent transfer value. The pensioner cash equivalent can be calculated using the method and factors in this note, but these should be used for divorce purposes only.
- 5.2 There are 2 sets of tables in Appendix B of this guidance to be used in the calculation of pensioner cash equivalents:

DIV1	Pensioners who retired for any reason other than ill-health grounds
DIV2	Pensioners who retired on ill-health grounds

- 5.3 Separate tables are required for pensioners who retired in ill health to reflect shortened expectations of life and to allow for immediate pension increases.

### Calculation date

- 5.4 The calculation date should be selected in line with Section 3 of this guidance note.
- 5.5 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

- 5.6 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.
- 5.7 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

- 5.8 The pensioner cash equivalent for a member who retired for any reason other than ill health should be calculated as follows:

5.9 Pensioner cash equivalent (not ill health) =

$$\begin{aligned} & \text{Current Member's Pension} \times \text{Factor DIV1A} \\ + & \quad \text{Survivor Pension payable on the death of the member} \times \text{Factor DIV1B} \\ - & \quad (\text{Annual Pre 88 GMP}^{*/**} + 0.15 \times \text{Annual Post 88 GMP}^{*/**}) \times \text{Factor DIV1C} \end{aligned}$$

*\* If any GMP liability has been transferred into the scheme.*

*\*\* Annual Pre 88 GMP and Annual Post 88 GMP should be set to zero for members who reach State Pension age on or after 6 April 2016*

- 5.10 The appropriate factors should be taken from table DIV1 for the member's age last birthday at date of calculation. The appropriate factor for Factor DIV1C will also depend on the sex of the member.

- 5.11 The pensioner cash equivalent for a member who retired due to ill health should be calculated as follows:

5.12 Pensioner cash equivalent (ill health) =

$$\begin{aligned} & \text{Current Member's Pension} \times \text{Factor DIV2A} \\ + & \quad \text{Survivor Pension payable on the death of the member} \times \text{Factor DIV2B} \\ - & \quad (\text{Annual Pre 88 GMP}^{*/**} + 0.15 \times \text{Annual Post 88 GMP}^{*/**}) \times \text{Factor DIV2C} \end{aligned}$$

*\* If any GMP liability has been transferred into the scheme.*

*\*\* Annual Pre 88 GMP and Annual Post 88 GMP should be set to zero for members who reach State Pension age on or after 6 April 2016*

- 5.13 The appropriate factors should be taken from table DIV2 for the member's age last birthday at date of calculation. The appropriate factor for Factor DIV2C will also depend on the sex of the member.

### Points to note in calculating the pensioner cash equivalent values

- 5.14 Pension benefits:
- The member's pension should be the rate of pension in payment. The last increase should be that awarded up to and including the April increase immediately before the calculation date



- If the member's pension has been reduced because an allocation option was taken out, then the pension actually in payment (i.e. after the reduction) should be used (including subsequent pension increases) and the pension payable on the member's death should include any increase due to the allocation option. If allocation has been made to a child or other dependant other than the partner please refer to GAD.
- 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.
- If the member's pension has been reduced due to Scheme Pays, then the pension after this reduction should be used. However, cases involving compulsory early retirement where the implementation of the pension debit has been deferred should be referred to GAD.

#### 5.15 Guaranteed Minimum Pension:

- Where a member has an entitlement to a GMP as a result of a transfer into the scheme the following should be noted:
  - > 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. These comprise all increases on pre-April 1988 GMPs and increases above 3% pa on the post-April 1988 GMPs. Separate pre and post-1988 GMPs should therefore be used.
  - > Where the member has yet to retire, or retired after GMP payment age (i.e. 65 for men or 60 for women), the GMP should include any late retirement increases from GMP payment age to calculation date (if yet to retire) or from GMP payment age to date of retirement (if already in payment). Late retirement increases are due at a rate of 1/7% per week plus (for post-88 GMP) PI up to 3% pa up to the April preceding the calculation date.



## 6 Calculation of cash equivalents: Unusual cases

6.1 The instructions in sections 2 to 5 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.

### **Contributing Members and Deferred Pensioners entitled to an immediate pension without actuarial reduction**

6.2 These should be valued as though they were pensioners.

6.3 Pensioner cash equivalent (not ill health) =

Current Member's Pension x Factor DIV1A

+ Survivor Pension payable on the death of the member x Factor DIV1B

- (Annual Pre 88 GMP<sup>\*/\*\*</sup> + 0.15 x Annual Post 88 GMP<sup>\*/\*\*</sup>) x Factor DIV1C

*\* If any GMP liability has been transferred into the scheme.*

*\*\* Annual Pre 88 GMP and Annual Post 88 GMP should be set to zero for members who reach State Pension age on or after 6 April 2016*

6.4 Points to note in using the factors:

- The appropriate factors should be taken from table DIV1 for the member's age last birthday at date of calculation. The appropriate factor for Factor DIV1C will also depend on the sex of the member.
- Current member's pension should include uplift for late retirement (where relevant) using the appropriate factor from table LRF1 based on age at date of calculation.
- If the member's pension is due to be reduced because an allocation option was taken out, then the benefits after allocation should be used i.e. reduced member's pension and increased dependant's pension (including subsequent pension increases). If allocation has been made to someone other than the partner, please refer to GAD.
- Where GMP amounts are required to be used in the calculations, they should be revalued/increased to the calculation date
- Where a member could obtain a lump sum by commuting pension it should be assumed that the member does not exercise their option to commute pension for the purpose of determining the Current Pension.



- Where a member has contributed to an Early Retirement Reduction Buy-Out (ERRBO) contract and has some entitlement which is only payable subject to actuarial reduction the cash equivalent for that part of their entitlement should be determined in the normal way as for a non-Club transfer. The portion of their entitlement which is not subject to reduction should be valued in accordance with this section.

#### **Members with Scheme Pays elections**

- 6.5 There may be additional information requirements and considerations required where members have previously elected for Scheme Pays. In general the valuation of benefits yet to be put into payment should be reduced in respect of any outstanding Scheme Pays balance in order to determine the cash equivalent.

Please refer to the guidance *National Health Service Pension Scheme 2015: Reduction to benefits due to Scheme Pays Annual Allowance and Lifetime Allowance Tax Charges: Factors and guidance* for more details.

#### **Members with one or more existing pension debits**

- 6.6 Where a member has one or more pension debits in respect of previous divorces, 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.
- 6.7 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.



## 7 Calculation of pension credits for ex-partner

### General information

- 7.1 This section sets out the method and instructions for calculating the pension credit payable to the ex-partner following the issue of a pension sharing order by the Court.
- 7.2 When a pension sharing order is received, the first stage is to check all the necessary information has been provided, check the charges have been paid, and recalculate the amount and the value of the member's benefits before the debit is applied. This should be done using the methods and assumptions set out in the previous sections of this Note. In particular, it should be based on the age and status of the member at the transfer day, and the benefits in the scheme at that date.

### Calculation of the ex-partner's cash equivalent

- 7.3 For divorces under English law, the pension sharing order will specify the percentage of the member's benefits that is to be shared. The cash equivalent obtained in 7.2 should be multiplied by this percentage, to give the value of the ex-partner's benefits, or the ex-partner's cash equivalent.
- 7.4 In Scotland, the pensions sharing order will usually specify a monetary amount, and this should be used as the ex-partner's cash equivalent. The percentage for the pension debit should be calculated as the ratio of the monetary amount and the cash equivalent.
- 7.5 For contributing members or deferred pensioners the ex-partner's cash equivalent should be calculated from the net CETV. The net CETV is calculated as the gross CETV calculated at the relevant date less the negative DC pot revalued to the relevant date. For pensioner members, the benefit reduction due to Scheme Pays should already have been applied (at retirement) and so the gross CETV (based on benefits in payment) can be used in the usual way.

### Calculation of the pension credit for the ex-partner

- 7.6 The ex-partner's cash equivalent will need to be converted into a benefit payable to the ex-partner. The calculations below are based on the following benefit features:
- a pension payable from the ex-partner's PNPA<sup>3</sup>, or the transfer day, if later
  - no attaching benefits for the children or future partner of the ex-partner on the death of the ex-partner
  - on death after retirement, a lump sum equal to five times the annual rate of pension less the pension already received, subject to a maximum of twice the member's revalued salary at the transfer date less any lump sum payments already received

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<sup>3</sup> Prospective Normal Pension Age, as defined in the NHSPS 2015 Regulations (SI2015/94) (State Pension Age in accordance with HM Treasury directions).





- 7.7 Table DIV3 in Appendix C sets out the factors needed to calculate the pension credit for the ex-partner where the ex-partner has already attained their Normal Pension Age.
- 7.8 Where the ex-partner has not attained that age at the transfer date the factors should be taken from the latest version of our guidance note entitled *National Health Service Pension Scheme 2015: Non-Club Transfers (CETVs): Factors and guidance*. The applicable factors are as below:

	<b>Ex-partner over NPA Pension credit factors</b>	<b>Ex-partner under NPA CETV factors</b>
Male ex-partner	DIV3	TV1A
Female ex-partner	DIV3	TV1A

- 7.9 The calculation date should be determined in line with Section 3. DIV3 should be based on the age last birthday of the ex-partner on this date. TV1A is based on period in complete years (rounded up) between the date of calculation and the ex-partner's PNPA. Do not use the age/PNPA of the member.

- 7.10 For ex-partners' who are under PNPA pension credits are calculated as follows:

$$[\text{Ex-partner's Cash Equivalent}] \div \text{Factor TV1A}$$

- 7.11 For ex-partners' who are over Normal Pension Age pension credits are calculated as follows:

$$[\text{Ex-partner's Cash Equivalent}] \div \text{Factor DIV3}$$

### **Pension benefits**

- 7.12 The ex-partner's pension credit will be subject to pension increases with effect from the transfer date, under the provision of the Pensions (Increase) Acts.



## 8 Calculation of pension debit and treatment of debits on early and late retirement

### Calculation of the pension debit

- 8.1 For divorces under English law, the pension sharing order will specify the percentage of the member's benefits that is to be shared. This percentage should be applied to all the benefits (including GMP) used to determine the cash equivalent transfer value.
- 8.2 In Scotland, the pensions sharing order will usually specify a monetary amount. The percentage for the pension debit should be calculated as the ratio of the monetary amount and the cash equivalent. This percentage should be applied to the member's benefits as in paragraph 8.1 to determine the member's debit.
- 8.3 The member's debit will be recorded as a debit to pensionable earnings in the year in which the debit is determined and will be subject to pension increases with effect from the transfer day, under the provision of the Pensions (Increase) Acts.

### Allowance for pension debits – early retirement

- 8.4 On early retirement (except in ill health), pension debits resulting from the earnings debit should be reduced to reflect that the debit will be in effect for a longer period. Pension debits should be treated as main scheme pension for the purposes of determining which reduction factors should be applied. Therefore factor ERF1 should be applied to the pension debit. See the latest version of our guidance note entitled *National Health Service Pension Scheme 2015: Voluntary early and late retirements in normal health: Factors and guidance* for more information.

### Allowance for pension debits – late retirement

- 8.5 For late retirements where the member divorced before their NPA, the pension debit should be treated as additional pension for the purposes of determining the late retirement factor to be applied. That is, the pension debit should be increased by applying factor LRF2.
- 8.6 For late retirements where the member divorced after their NPA, the pension debit should also be increased to allow for the debit coming into effect later than NPA by applying factors from table LRF2 as below.

- Pension debit uplift =  $\frac{\text{Factor LRF2 for no of years between NPA \& retirement}}{\text{Factor LRF2 for no of years between divorce and NPA}}$

- 8.7 The pension debit to be applied at retirement should then be calculated as:

- Pension debit at retirement = Pension debit at date of divorce x Pension debit uplift



### **Allowance for pension debits – other circumstances**

- 8.8 No adjustments should be applied to pension debits on retirement on grounds of ill health or to dependants' debits whatever the circumstances of death.
- 8.9 On subsequent transfer-out the debits should be applied to the valuation of the member's benefits before the cash equivalent is determined.

### **Redundancy**

- 8.10 Where a member retires following redundancy, they may have some benefits payable unreduced and some subject to actuarial reduction (see paragraph 2.9 c) iii) of the guidance relating to compulsory early retirement).
- 8.11 In this case the pension debit should be applied in two parts. An actuarially reduced pension debit corresponding to the proportion of the member's pension that has been actuarially reduced should be applied from the date of retirement. The remainder of the debit should be applied in full from NPA.



## 9 Example calculations

9.1 The following worked examples help to illustrate how the factors should be used to calculate the cash equivalent of a pensioner member.

### Example 1 – Cash equivalent calculation for a male who retired in normal health

Member's date of birth	= 18/08/1949
Date member reaches State Pension age	= 18/08/2014
Calculation Date	= 15/04/2020
Member's age last birthday	= 70
Current member's pension	= £10,000 pa
Pension payable on the death of the member	= £3,375 pa
Annual Pre 88 GMP	= £500 pa*
Annual Post 88 GMP	= £900 pa*

\* This member has an accrued GMP and reached State Pension Age before 6 April 2016. In line with section 2 of this guidance, the normal GMP adjustment should be applied.

#### Factors

DIV1A (Pension factor)	= 15.57
DIV1B (Surviving Partner's factor)	= 1.47
DIV1C (Adjustment for GMP factor)	= 3.01

#### Cash Equivalent

$$\begin{aligned}
 \text{Cash equivalent} &= \text{£}10,000.00 \times 15.57 \\
 &\quad + \text{£}3,375.00 \times 1.47 \\
 &\quad - (\text{£}500.00 + 0.15 \times \text{£}900.00) \times 3.01 \\
 &= \text{£}158,749.90
 \end{aligned}$$



### Example 2 – Cash equivalent calculation for a female who retired in ill health

Member's date of birth	= 18/08/1969
Date member reaches State Pension age	= 18/08/2036
Calculation Date	= 15/04/2020
Member's age last birthday	= 50
Current member's pension	= £7,000 pa
Pension payable on the death of the member	= £2,362.50 pa
Annual Pre 88 GMP	= N/A*
Annual Post 88 GMP	= N/A*

*\* This member will reach State Pension Age on or after 6 April 2016. In line with section 2 of this guidance, annual pre-88 GMP and annual post-88 GMP should be set to zero.*

#### Factors

DIV2A (Pension factor)	= 23.21
DIV2B (Surviving Partner's factor)	= 2.37
DIV2C (Adjustment for GMP factor)	= 2.83

#### Cash Equivalent

$$\begin{aligned}\text{Cash equivalent} &= \text{£}7,000.00 \times 23.21 \\ &\quad + \text{£}2,362.50 \times 2.37 \\ &= \text{£}168,069.13\end{aligned}$$



9.2 The following worked examples help to illustrate how the factors should be used to calculate pension credits for ex-partners.

**Example 3 – Pension credit for female ex-partner aged 50**

Ex-partner's age last birthday	= 50
Ex-partner's PNPA	= 66
Years to PNPA	= 16
Ex-partner's Cash Equivalent	= £10,000

Factors

DIV3 = Factor TV1A (factor from CETV guidance) = 12.10

Pension Credit (deferred and payable from ex-partner's PNPA)

Pension = £10,000.00 ÷ [12.10] = £826.45 pa

**Example 4 – Pension credit for male ex-partner aged 70**

Ex-partner's age last birthday	= 70
Ex-partner's NPA	= 65
Ex-partner's Cash Equivalent	= £10,000

Factors

DIV3 = 15.30

Pension Credit (immediate payment)

Pension = £10,000.00 ÷ [15.30] = £653.59 pa

**Example 5 – Redundancy for male aged 60 with an NRA of 65**

Total Redundancy Pension	= £20,000 pa
Pension Debit	= £7,000 pa
ERF	= 0.769

The member has bought out 75% of their actuarial reduction so receives £15,000 pa unreduced and £5,000 is subject to an actuarial reduction; their total pension from age 60 is

$$£15,000.00 \text{ pa} + (£5,000.00 \text{ pa} \times 0.769) = £18,845.00 \text{ pa}$$

The pension debit is applied as follows

From age 60:  $£5,000.00 / £20,000.00 \times £7,000.00 \times 0.769 = £1,345.75 \text{ pa}$   
 From age 65:  $£15,000.00 / £20,000.00 \times £7,000.00 = £5,250 \text{ pa}$



9.3 The following worked example helps to illustrate how late retirement uplifts are applied to pension debits.

**Example 6 – Late retirement uplift on pension debit, for a member divorcing post NPA**

Number of years between NPA and retirement	= 5
Number of years between NPA and divorce	= 2
Pension debit at divorce date	= £2,000 pa

Factors

LRF2 for 2 years post retirement	= 1.121
LRF2 for 5 years post retirement	= 1.350

Overall pension debit on late retirement:

Overall pension debit = £2,000.00 x  $\frac{1.350}{1.121}$   
= £2,408.56 pa



## Appendix A: Assumptions underlying factors

### Financial assumptions

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

### Mortality assumptions

Base mortality tables: normal health	S2NMA and S2NFA
Base mortality tables: ill health	S2IMA and S2IFA
Base table adjustments	As per 2016 valuation: Normal health: 83% (M)/ 85% (F) of S2NXA Ill-health (current): 83% (M)/ 85% (F) of S2IXA Ill-health (future): 100% of S2IXA Dependants: 100% of S2NXA
Future mortality improvement	Based on ONS principal UK population projections 2016
Year of Use	2020

### Other assumptions

Proportion of male members for the purpose of unisexing factors	33.3%
Allowance for commutation	Nil
Age difference between member and partner	Males assumed to be 3 years older than female and females assumed to be 3 years younger than partner
Proportions partnered	As assumed for the 2016 valuation Sample rates:

Age	Males	Females
50	0.76	0.54
60	0.76	0.54
70	0.74	0.46
80	0.61	0.23
90	0.34	0.07





## Appendix B: Factors for calculation of Cash Equivalents

**Table DIV1 - Factors to calculate pensioner cash equivalent on divorce - retirement not on grounds of ill health**

(Table 304 in consolidated factor spreadsheet)

Member's age last birthday at relevant date	Factor A Gross Pension of £1 pa	Factor B Surviving Partner's Pension of £1 pa	Factor C	
			Males Deduction for GMP of £1 pa	Females Deduction for GMP of £1 pa
55	23.27	1.44	3.70	3.15
56	22.82	1.46	3.70	3.15
57	22.36	1.47	3.70	3.16
58	21.90	1.49	3.71	3.16
59	21.42	1.50	3.71	3.23
60	20.94	1.51	3.71	3.36
61	20.44	1.53	3.72	3.45
62	19.94	1.54	3.72	3.55
63	19.43	1.55	3.73	3.65
64	18.91	1.55	3.83	3.76
65	18.38	1.56	3.84	3.73
66	17.85	1.57	3.67	3.55
67	17.31	1.57	3.51	3.38
68	16.75	1.57	3.34	3.21
69	16.16	1.52	3.18	3.04
70	15.57	1.47	3.01	2.87
71	14.99	1.46	2.86	2.71
72	14.40	1.46	2.70	2.55
73	13.81	1.45	2.55	2.39
74	13.23	1.35	2.41	2.23
75	12.65	1.25	2.27	2.08
76	12.07	1.23	2.13	1.94
77	11.49	1.21	2.01	1.80
78	10.91	1.19	1.88	1.66
79	10.34	1.06	1.77	1.53
80	9.78	0.93	1.65	1.41
81	9.22	0.91	1.54	1.28
82	8.67	0.89	1.44	1.16
83	8.13	0.86	1.34	1.05
84	7.60	0.74	1.25	0.94
85	7.09	0.61	1.16	0.84
86	6.61	0.59	1.08	0.75



**Table DIV1 - Factors to calculate pensioner cash equivalent on divorce - retirement not on grounds of ill health - continued**

(Table 304 in consolidated factor spreadsheet)

Member's age last birthday at relevant date	Factor A Gross Pension of £1 pa	Factor B Surviving Partner's Pension of £1 pa	Factor C	
			Males Deduction for GMP of £1 pa	Females Deduction for GMP of £1 pa
87	6.14	0.56	1.01	0.67
88	5.71	0.54	0.94	0.59
89	5.30	0.43	0.88	0.53
90	4.92	0.32	0.83	0.47
91	4.56	0.30	0.79	0.41
92	4.23	0.28	0.75	0.36
93	3.92	0.27	0.72	0.32
94	3.63	0.25	0.69	0.28
95	3.37	0.23	0.66	0.25
96	3.14	0.22	0.64	0.22
97	2.94	0.20	0.62	0.19
98	2.77	0.18	0.60	0.16
99	2.61	0.17	0.59	0.14
100	2.47	0.16	0.58	0.13

**Note:**

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 DIV2 - Factors to calculate pensioner cash equivalent on divorce - retirement on grounds of ill health**

(Table 305 in consolidated factor spreadsheet)

Member's age last birthday at relevant date	Factor A Gross Pension of £1 pa	Factor B Surviving Partner's Pension of £1 pa	Factor C	
			Males Deduction for GMP of £1 pa	Females Deduction for GMP of £1 pa
20	30.24	2.91	3.11	2.81
21	30.04	2.92	3.11	2.81
22	29.86	2.92	3.10	2.80
23	29.67	2.92	3.10	2.80
24	29.47	2.92	3.10	2.79
25	29.28	2.92	3.10	2.79
26	29.08	2.91	3.10	2.79
27	28.89	2.90	3.09	2.79
28	28.69	2.89	3.09	2.78
29	28.50	2.88	3.09	2.78
30	28.31	2.86	3.09	2.78
31	28.11	2.84	3.09	2.78
32	27.91	2.81	3.10	2.78
33	27.71	2.79	3.10	2.78
34	27.50	2.77	3.10	2.78
35	27.29	2.74	3.11	2.79
36	27.08	2.71	3.11	2.79
37	26.86	2.68	3.12	2.79
38	26.64	2.65	3.13	2.79
39	26.40	2.62	3.14	2.80
40	26.17	2.60	3.15	2.80
41	25.92	2.57	3.15	2.80
42	25.66	2.54	3.16	2.81
43	25.39	2.51	3.17	2.81
44	25.12	2.49	3.18	2.81
45	24.83	2.46	3.18	2.81
46	24.53	2.44	3.19	2.82
47	24.21	2.42	3.20	2.82
48	23.89	2.40	3.20	2.82
49	23.56	2.39	3.20	2.82
50	23.21	2.37	3.21	2.83
51	22.85	2.36	3.21	2.83
52	22.49	2.34	3.22	2.84
53	22.11	2.33	3.22	2.84
54	21.73	2.32	3.23	2.85
55	21.33	2.30	3.24	2.85
56	20.93	2.29	3.25	2.86
57	20.52	2.27	3.26	2.87
58	20.10	2.26	3.27	2.88



**Table DIV2 - Factors to calculate pensioner cash equivalent on divorce - retirement on grounds of ill health - continued**

(Table 305 in consolidated factor spreadsheet)

Member's age last birthday at relevant date	Factor A Gross Pension of £1 pa	Factor B Surviving Partner's Pension of £1 pa	Factor C	
			Males Deduction for GMP of £1 pa	Females Deduction for GMP of £1 pa
59	19.67	2.24	3.29	2.95
60	19.23	2.23	3.30	3.07
61	18.78	2.21	3.32	3.17
62	18.32	2.20	3.35	3.26
63	17.85	2.18	3.37	3.37
64	17.36	2.16	3.48	3.47
65	16.87	2.14	3.51	3.45
66	16.36	2.13	3.36	3.29
67	15.85	2.11	3.22	3.13
68	15.33	2.09	3.08	2.97
69	14.80	2.00	2.94	2.82
70	14.27	1.91	2.81	2.67
71	13.73	1.89	2.68	2.51
72	13.19	1.86	2.55	2.37
73	12.64	1.84	2.42	2.22
74	12.10	1.69	2.30	2.08
75	11.55	1.55	2.19	1.95
76	11.01	1.52	2.08	1.82
77	10.48	1.48	1.97	1.70
78	9.95	1.44	1.87	1.58
79	9.43	1.27	1.77	1.47
80	8.92	1.11	1.68	1.36
81	8.41	1.07	1.59	1.25
82	7.92	1.03	1.50	1.15
83	7.44	0.99	1.42	1.06
84	6.98	0.84	1.34	0.96
85	6.54	0.69	1.27	0.88
86	6.12	0.66	1.20	0.80
87	5.72	0.62	1.14	0.73
88	5.36	0.59	1.08	0.67
89	5.02	0.46	1.02	0.61
90	4.70	0.34	0.98	0.55
91	4.40	0.32	0.94	0.51
92	4.13	0.30	0.90	0.46
93	3.87	0.28	0.87	0.41
94	3.62	0.26	0.84	0.37
95	3.40	0.24	0.82	0.33

**Note:**

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



## Appendix C: Factors for calculation of Pension Credits

Table DIV3 - Factors to calculate pension credit for ex-partner

(Table 307 in consolidated factor spreadsheet)

Ex-partner's age last birthday at relevant date	Gross Pension of £1 pa
65	18.11
66	17.58
67	17.04
68	16.47
69	15.88
70	15.30
71	14.71
72	14.12
73	13.54
74	12.96
75	12.38
76	11.80
77	11.23
78	10.66
79	10.10
80	9.54
81	8.99
82	8.45
83	7.92
84	7.40
85	6.90
86	6.42
87	5.97
88	5.54
89	5.15
90	4.77
91	4.43
92	4.10
93	3.81
94	3.53
95	3.29



## Appendix D: Limitations

- D.1 This guidance should not be used for any purpose other than those set out in this guidance.
- D.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.
- D.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.
- D.4 This guidance only covers the actuarial principles around the calculation and application of pension sharing on divorce factors. Any legal advice in this area should be sought from an appropriately qualified person or source.
- D.5 Scheme managers and administrators should satisfy themselves that pension sharing on divorce calculations and benefit awards comply with all legislative requirements including, but not limited to, tax and contracting-out requirements.
- D.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 NHSBSA and GAD. Under no circumstances should this guidance take precedence over the Regulations. Administrators should ensure that they comply with all relevant Regulations.