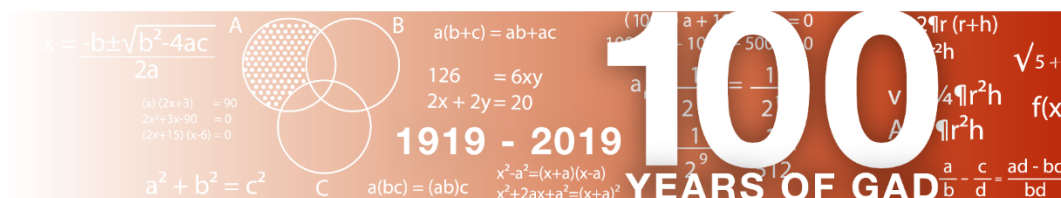




Government  
Actuary's  
Department



## UK Atomic Energy Authority Pension Schemes

Divorce pension credits

Factor guidance

Date: 10 October 2019





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## 1 Introduction

- 1.1 This note is provided for the UK Atomic Energy Authority (UKAEA or the Authority) in its role as manager of the UK Atomic Energy Authority Pension Schemes ("the UKAEA Schemes").
- 1.2 The purpose of this note is to provide the Authority with factors to be used to convert the pension credit arising from a pension sharing order to a pension awarded to the ex-partner (or pension credit member). These tables should not be used to calculate cash equivalents on divorce.
- 1.3 Section 2 of this report covers general considerations, Section 3 describes the conversion calculation, Section 4 sets out some worked examples and Section 5 details important limitations.
- 1.4 Appendix A sets out the relevant factors. Details of the assumptions underlying the factor tables in this guidance are set out in Appendix B. Appendix C sets out HM Treasury guidance on transitional implementation issues for divorce cases.

### Implementation and Review

- 1.5 The factors provided in this note have been prepared in light of our letter and advice to the Authority dated 30 October 2018 and its instructions in light of that advice. These factors were provided to the Authority on 6 March 2019.
- 1.6 This guidance will apply with immediate effect upon receipt.
- 1.7 This guidance is intended to supersede any advice previously issued, for the purposes of pension credit calculations. No advice or factors issued in the past should be used for cases after this date. In particular, this guidance supersedes: "UK Atomic Energy Authority Pension Schemes: Factors for calculating divorce pension credits" dated 5 April 2016.
- 1.8 The factors in this note have been updated but the calculation methodology remains unchanged.
- 1.9 The Authority have confirmed that the revised UKAEA Divorce Pension Credit factors will be implemented with effect from 6 March 2019. These factors are consistent with the non-club cash equivalent transfer value factors and pensioner cash equivalent factors implemented from 29 October 2018.
- 1.10 The factors in this note should only be used to calculate the benefits for the ex-partner if the cash equivalent (and hence Pension Credit) has been calculated using consistent factors.
- 1.11 As set out in Appendix C, HM Treasury has issued guidance on divorce cases where cash equivalent values of member benefits were provided to courts using factors which applied prior to 29 October 2018. When calculating the pension awarded to ex-partner the administrator should first check whether any actions under the HM Treasury guidance are necessary.



- 1.12 We are unaware of any legal advice taken by the Authority in respect of backdating. GAD confirms that it has not taken any legal advice on this point in respect of the UK Atomic Energy Authority pension schemes. The Authority may wish to consider whether it should take legal advice to identify whether there remain any material issues in relation to its approach to backdating.
- 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 UKAEA Pension Scheme. Any questions concerning the application of the guidance should, in the first instance, be referred to the Authority.
- 1.14 Cases where the member has taken partial retirement should be referred to GAD.
- 1.15 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.
- 1.16 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.

#### **Relevant legislative references**

- 1.17 The scheme rules for awarding a pension credit to an ex-partner after a member's pension is subjected to a pension sharing order are set out in The UK Atomic Energy Authority Combined Pension Scheme Rules, Section 14: Pensions Sharing on Divorce.
- 1.18 This guidance is designed to be consistent with the Welfare Reform and Pensions Act 1999 ("the Act") and associated regulations (principally the Pension Sharing (Implementation and Discharge of Liability) Regulations 2000.

#### **Third party reliance**

- 1.19 This guidance has been prepared for the use of UKAEA 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 UKAEA 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.
- 1.20 Other than UKAEA and the scheme administrators, no person or third party is entitled to place any reliance on the contents of this guidance, except to any extent explicitly stated herein. GAD has no liability to any person or third party for any action taken or for any failure to act, either in whole or in part, on the basis of this guidance, whether or not GAD has agreed to the disclosure of its advice to the third party.



## 2 Pension credits on divorce: general considerations

- 2.1 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.
- 2.2 The calculations set out in this note determine the pension credit to be awarded to an ex-partner after a member's pension in the UKAEA Schemes is subjected to a pension sharing order. If the other party in the divorce proceedings also has UKAEA Pension Schemes benefits, then a separate valuation may be required in respect of those pension rights.
- 2.3 The calculations required and the factor tables used depend on the status of the member at the calculation date and the date on which they will reach (or did reach) Normal Pension age. The factors are now unisex, but they have been provided in sex-specific tables as previously.

### Calculation Date

- 2.4 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 1999<sup>1</sup> (the 1999 Act).

### Selection of factors

- 2.5 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 ex-partner's status and age last birthday at the **calculation date**, in the normal way.

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<sup>1</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 Guidance on application of pension credit factors

- 3.1 Where relevant, for the remainder of this note 'CETV' should be taken to mean either a Cash Equivalent Transfer Value on divorce or pensioner cash equivalent on divorce.
- 3.2 The benefit provided is a pension paid from the ex-partner's normal pension age (NPA), of 60. The benefits are paid immediately if the ex-partner is already above their NPA (60). On death after retirement of the ex-partner, a lump sum of five times the annual pension less the benefits already received is paid. The pension benefit will increase in line with prices in deferment and payment.
- 3.3 A lump sum of three times the pension is paid to the ex-partner on retirement if the member had not received a lump sum at the time of pension share.
- 3.4 The ex-partner's share of the CETV should be calculated using the proportion specified in the pension sharing order.
- 3.5 The factors should be selected according to the ex-partner's age at the calculation date and sex. The factors in this note should only be used to calculate the benefits for the ex-partner if the CE (and hence Pension Credit) 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.
- 3.6 The calculation of the pension credit depends on whether the member has already received a lump sum. The relevant formulae are set out in paragraphs 3.7 and 3.8 below.
- 3.7 If the member **has** previously received a lump sum at the transfer day, then the pension amount is the ex-partner's share of the CETV divided by the relevant pension factor for an ex-partner aged  $x$  ( $F_x^P$ ):

$$\frac{\text{share of CETV}}{F_x^P}$$

$F_x^P$  is the factor "Gross Pension of £1 per annum" for an ex-partner aged  $x$  from table **804** for males or **814** for females. (Tables 0-306 and 0-307 respectively in consolidated factors spreadsheet.)



- 3.8 If the member **has not** previously received a lump sum at the transfer day, then the pension amount is the ex-partner's share of the CETV divided by the sum of the relevant pension factor for an ex-partner aged  $x$  ( $F_x^P$ ) and three times the relevant lump sum factor for an ex-partner aged  $x$  ( $F_x^{LS}$ ):

$$\frac{\text{share of CETV}}{F_x^P + 3 \times F_x^{LS}}$$

$F_x^P$  is the factor "Gross Pension of £1 per annum" for an ex-partner aged  $x$  from table **804** for males or **814 for females**. (Tables 0-306 and 0-307 respectively in consolidated factors spreadsheet.)

$F_x^{LS}$  is the factor "Lump Sum of £1" for an ex-partner aged  $x$  from table **804** for males or **814 for females**. (Tables 0-306 and 0-307 respectively in consolidated factors spreadsheet.)

- 3.9 A UKAEA pension credit member who retires early (i.e. before age 60 years) will have their pension credit related benefits reduced for early payment. The early payment reduction will be applied to the pension credit member's benefits in line with the voluntary early retirement guidance note.
- 3.10 Alternatively a pension credit member retiring early can buy out the actuarial reduction. Such cases should be referred to GAD.
- 3.11 A pension credit member who has entitlement to a retirement lump sum by virtue of a conversion of pension credit to pension can choose to commute their lump sum for a self only pension. The terms of conversion will be applied in line with the inverse commutation guidance note.



## 4 Worked Examples

### Example 1: Female Pension Credit Member (Member has previously received lump sum at transfer day)

- Pension Credit (i.e. share of CE for pension credit member) £25,000
- Calculation date 15/04/2020
- Age last birthday at calculation date 58 years
- Factor table 814
- Pension Factor 19.90
- Pension Amount =  $\frac{£25,000.00}{19.90} = £1,256.28 \text{ pa}$

The benefits would normally be payable from age 60, but could be put into payment immediately subject to actuarial reduction.

### Example 2: Male Pension Credit Member (Member has not previously received a lump sum at transfer day)

- Pension Credit (i.e. share of CE for pension credit member) £20,000
- Calculation date 15/04/2020
- Age last birthday at calculation date 55 years
- Factor table 804
- Pension Factor 18.52
- Lump Sum Factor 0.90
- Pension Amount =  $\frac{£20,000.00}{18.52+3 \times 0.90} = £942.51 \text{ pa}$

The retirement lump sum is three times this pension, ie initially £2,827.53

The benefits would normally be payable from age 60, but could be put into payment immediately subject to actuarial reduction.





## 5 Limitations of this guidance

- 5.1 This guidance should not be used for any purpose other than those set out in this guidance.
- 5.2 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.
- 5.3 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.
- 5.4 This guidance only covers the actuarial principles around the calculation of the pension credit to be awarded to an ex-partner after a member's pension is subjected to a pension sharing order. Any legal advice in this area should be sought from an appropriately qualified person or source.
- 5.5 Scheme managers and administrators should satisfy themselves that pension credit calculations and benefit awards comply with all legislative requirements including, but not limited to, tax and contracting-out requirements.
- 5.6 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 UKAEA 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: Factor Tables

**Table 804: Factors for calculating divorce pension credits for male ex-partners  
(Table 0-306 in consolidated factors spreadsheet)**

Male					
Age last birthday at relevant date	Gross pension of £1 per annum	Lump Sum of £1	Age last birthday at relevant date	Gross pension of £1 per annum	Lump Sum of £1
16	7.86	0.36	56	18.97	0.92
17	8.03	0.36	57	19.43	0.94
18	8.21	0.37	58	19.90	0.97
19	8.39	0.38	59	20.39	0.99
20	8.57	0.39	60	20.39	1.00
21	8.75	0.40	61	19.89	1.00
22	8.94	0.41	62	19.38	1.00
23	9.14	0.42	63	18.86	1.00
24	9.34	0.43	64	18.33	1.00
25	9.54	0.44	65	17.79	1.00
26	9.75	0.45	66	17.24	1.00
27	9.96	0.46	67	16.69	1.00
28	10.17	0.47	68	16.13	1.00
29	10.40	0.49	69	15.56	1.00
30	10.62	0.50	70	14.99	1.00
31	10.85	0.51	71	14.41	1.00
32	11.09	0.52	72	13.83	1.00
33	11.33	0.53	73	13.25	1.00
34	11.58	0.55	74	12.66	1.00
35	11.84	0.56	75	12.08	1.00
36	12.10	0.57	76	11.50	1.00
37	12.36	0.59	77	10.92	1.00
38	12.63	0.60	78	10.35	1.00
39	12.91	0.62	79	9.78	1.00
40	13.20	0.63	80	9.22	1.00
41	13.49	0.64	81	8.66	1.00
42	13.79	0.66	82	8.12	1.00
43	14.10	0.68	83	7.59	1.00
44	14.42	0.69	84	7.07	1.00
45	14.74	0.71	85	6.57	1.00
46	15.08	0.73	86	6.10	1.00
47	15.42	0.74	87	5.65	1.00
48	15.77	0.76	88	5.23	1.00
49	16.13	0.78	89	4.83	1.00
50	16.50	0.80	90	4.47	1.00
51	16.88	0.82	91	4.12	1.00
52	17.27	0.84	92	3.81	1.00
53	17.67	0.86	93	3.51	1.00
54	18.09	0.88	94	3.24	1.00
55	18.52	0.90	95	2.99	1.00

**Notes:**

1. The retirement lump sum factor should only be used if the member has not already received their automatic lump sum from the scheme.
2. The age and sex of the ex-partner at calculation date, not the member should be used.



**Table 814: Factors for calculating divorce pension credits for female ex-partners**  
(Table 0-307 in consolidated factors spreadsheet)

Female					
Age last birthday at relevant date	Gross pension of £1 per annum	Lump Sum of £1	Age last birthday at relevant date	Gross pension of £1 a per annum	Lump Sum of £1
16	7.86	0.36	56	18.97	0.92
17	8.03	0.36	57	19.43	0.94
18	8.21	0.37	58	19.90	0.97
19	8.39	0.38	59	20.39	0.99
20	8.57	0.39	60	20.39	1.00
21	8.75	0.40	61	19.89	1.00
22	8.94	0.41	62	19.38	1.00
23	9.14	0.42	63	18.86	1.00
24	9.34	0.43	64	18.33	1.00
25	9.54	0.44	65	17.79	1.00
26	9.75	0.45	66	17.24	1.00
27	9.96	0.46	67	16.69	1.00
28	10.17	0.47	68	16.13	1.00
29	10.40	0.49	69	15.56	1.00
30	10.62	0.50	70	14.99	1.00
31	10.85	0.51	71	14.41	1.00
32	11.09	0.52	72	13.83	1.00
33	11.33	0.53	73	13.25	1.00
34	11.58	0.55	74	12.66	1.00
35	11.84	0.56	75	12.08	1.00
36	12.10	0.57	76	11.50	1.00
37	12.36	0.59	77	10.92	1.00
38	12.63	0.60	78	10.35	1.00
39	12.91	0.62	79	9.78	1.00
40	13.20	0.63	80	9.22	1.00
41	13.49	0.64	81	8.66	1.00
42	13.79	0.66	82	8.12	1.00
43	14.10	0.68	83	7.59	1.00
44	14.42	0.69	84	7.07	1.00
45	14.74	0.71	85	6.57	1.00
46	15.08	0.73	86	6.10	1.00
47	15.42	0.74	87	5.65	1.00
48	15.77	0.76	88	5.23	1.00
49	16.13	0.78	89	4.83	1.00
50	16.50	0.80	90	4.47	1.00
51	16.88	0.82	91	4.12	1.00
52	17.27	0.84	92	3.81	1.00
53	17.67	0.86	93	3.51	1.00
54	18.09	0.88	94	3.24	1.00
55	18.52	0.90	95	2.99	1.00

**Notes:**

1. The retirement lump sum factor should only be used if the member has not already received their automatic lump sum from the scheme.
- 2 The age and sex of the ex-partner at calculation date, not the member should be used.



## 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:	95% of S2NMA * (Males) and 99% of S2NFA (Females) Dependants: 100% S2NMA (male) and 110% S2DFA (female)
Future mortality improvement	Based on ONS principal UK population projections 2016
Year of Use	2020

\* This is based on 35% BNFL male mortality (101% S2NMA) and 65% non-BNFL male mortality (92% S2NMA).  
The underlying mortality rates are those agreed as part of the recent experience analysis.

### Other assumptions

Proportion of male members for unisex factors	80%
Allowance for commutation	Nil



## **Appendix C: HM Treasury guidance on divorce calculations**

- C.1 HM Treasury previously communicated the text in C.2 below to MOCOP schemes on 16 April 2016 and this advice still stands.
- C.2 CETVs in divorce cases: Concerns arise with regard to cases where schemes have already provided CETVs to the courts in divorce cases on the basis of the old guidance but no final determination has yet been made. It seems that good public administration requires that schemes should notify the court of the change in valuation where it might still be in a position to take into account the new valuations. In terms of challenge, there might otherwise be scope for a maladministration claim to the Pensions Ombudsman for not doing so, depending upon all the circumstances. Schemes should therefore look for cases where they have produced statements of entitlement but not been notified that an order has been made, and provide revised statements if so.