

NHS PENSION SCHEME - 1995 SECTION
PENSION SHARING FOLLOWING DIVORCE
CALCULATION OF PENSION CREDITS FOR EX-SPOUSE

1. Introduction

1.1 This paper sets out the method and instructions for calculating the pension credit payable to the ex-spouse following the issue of a pension sharing order by the Court. Separate instructions cover the calculation of the cash equivalent of the member's benefits.

2. Calculation of the value of the sharable rights

2.1 When a pension sharing order is received, the first stage is to check all the necessary information has been provided, 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 paper "Pension Sharing Following Divorce – Calculation of Cash Equivalents". In particular, it should be based on the age and status of the member at the calculation date (see 3.2), which should be within the implementation period, and the benefits in the scheme at that date.

2.2 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 2.1 should be multiplied by this percentage, to give the value of the ex-spouse's benefits, or the ex-spouse cash equivalent.

2.3 In Scotland, the pensions sharing order will usually specify a monetary amount, and this should be used as the ex-spouse cash equivalent. The percentage for the pension debit should be calculated as the ratio of the monetary amount and the cash equivalent.

2.4 The ex-spouse cash equivalent will need to be converted into a benefit payable to the ex-spouse. The calculations below are based on the following benefits:

- a pension payable from age 60, or the transfer date, if later;
- if the member has not received a lump sum before the pension sharing order date, a lump sum of three times the ex-spouse pension. This is payable at age 60, or the valuation date if the ex-spouse is aged 60 or above. If the ex-spouse dies before retirement, the deferred lump sum will be payable on the death of the ex-spouse. No lump sum is payable to the ex-spouse if the member has received their lump sum from the scheme;
- benefits to be increased in line with prices, under the provisions of the Pensions (Increase) Acts;
- no attaching benefits for the children, future spouse or future civil partner of the ex-spouse on the death of the ex-spouse.

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- on death after retirement, a lump sum equal to five times the pension less the pension already received, subject to a maximum of twice the member's salary at the valuation date less the lump sum paid to the ex-spouse

3. **Pension Credit for the Ex-spouse**

3.1 Table 4 sets out the factors needed to calculate the pension credit for the ex-spouse, and Tables 5 and 6 set out the market adjustment factors required.

3.2 **Calculation Date**

The calculation date should be the transfer date. The factors should be based on the age and gender of the ex-spouse on this date, and the market conditions at that time. Do not use the age and gender of the member.

3.3 **Calculation**

If the member has not received their lump sum prior to the calculation date and the ex-spouse is not entitled to immediate payment of benefits the pension credit as at the calculation date will be:

$$[ESCE / AMC_{pls}] / [F_p + 3x F_{ls}]$$

If the member has not received their lump sum prior to the calculation date and the ex-spouse is entitled to immediate payment of benefits the pension credit as at the calculation date will be:

$$[ESCE] / [AMC_{po} \times F_p + 3x F_{ls}]$$

If the member has received their lump sum prior to the calculation date, the ex-spouse is not entitled to a lump sum, and the pension credit as at the calculation date will be:

$$[ESCE / AMC_{po}] / [F_p]$$

ESCE	the ex-spouse cash equivalent (as described in paragraph 2.2 and 2.3)
F _p	factor for ex-spouse pension
F _{ls}	factor for lump sum for ex-spouse
AMC _{pls}	Adjustment for Market Conditions (pension and lump sum) - Table 5
AMC _{po}	Adjustment for Market Conditions (pension only) - Table 6

The appropriate factors should be taken from the tables in force at the date of the calculation, using the age of the ex-spouse at the calculation date.

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3.4 Pension Benefits

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

3.5 Adjustment for Market Conditions

The ex-spouse's cash equivalent should be adjusted for market conditions. This factor depends on the ex-spouse's age at the calculation date, and the yield on the FT Actuaries Index of British Government Index Linked Stocks of duration greater than 15 years averaged between the 0% and 5% inflation assumptions. The yield on the first working day of the calendar month into which the calculation date falls should be used.

- 3.6 The AMC factors are shown in Tables 5 and 6. These AMCs should be used for calculating the ex-spouse credit in all cases, whether the ex-spouse will become an immediate pensioner or not. Where the appropriate yield is not a whole number percentage, the factor should be obtained by interpolating between the closest two factors, to produce the transfer value payable. Please note that although the same yield is used for calculating the member's cash equivalent and the ex-spouse's pension credit, the factor will not necessarily be the same, as it will depend on the ex-spouse's age and will be based on the factors in Table 5 or 6.

Government Actuary's Department
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Table 4

Factors to calculate pension credit for the ex-spouse – 1995 section

Age last birthday at relevant date	Male Gross Pension of £1 per annum	Male Lump Sum of £1	Female Gross Pension of £1 per annum	Female Lump Sum of £1
16	2.73	0.16	2.83	0.16
17	2.84	0.17	2.95	0.17
18	2.96	0.18	3.08	0.18
19	3.09	0.19	3.21	0.19
20	3.22	0.20	3.35	0.20
21	3.35	0.21	3.48	0.20
22	3.49	0.21	3.63	0.21
23	3.63	0.22	3.78	0.22
24	3.78	0.23	3.93	0.23
25	3.94	0.24	4.10	0.24
26	4.10	0.25	4.27	0.25
27	4.27	0.26	4.44	0.26
28	4.45	0.27	4.63	0.27
29	4.63	0.29	4.82	0.28
30	4.82	0.30	5.02	0.30
31	5.02	0.31	5.22	0.31
32	5.23	0.32	5.44	0.32
33	5.45	0.34	5.67	0.34
34	5.67	0.35	5.90	0.35
35	5.91	0.37	6.15	0.36
36	6.15	0.38	6.40	0.38
37	6.41	0.40	6.67	0.40
38	6.68	0.41	6.95	0.41
39	6.95	0.43	7.23	0.43
40	7.24	0.45	7.54	0.45
41	7.54	0.47	7.85	0.47
42	7.86	0.49	8.17	0.49
43	8.18	0.51	8.51	0.51
44	8.52	0.53	8.87	0.53
45	8.88	0.55	9.24	0.55
46	9.25	0.57	9.62	0.57
47	9.63	0.60	10.02	0.60
48	10.04	0.62	10.44	0.62
49	10.46	0.65	10.88	0.65
50	10.90	0.68	11.33	0.68
51	11.36	0.70	11.81	0.70
52	11.84	0.73	12.31	0.73
53	12.34	0.76	12.83	0.76
54	12.86	0.80	13.37	0.80
55	13.41	0.83	13.94	0.83
56	13.99	0.86	14.53	0.86
57	14.59	0.9	15.16	0.90

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58	15.22	0.94	15.81	0.94
59	15.90	0.98	16.50	0.98
60	15.97	1.00	16.60	1.00
61	15.68	1.00	16.32	1.00
62	15.39	1.00	16.04	1.00
63	15.09	1.00	15.75	1.00
64	14.78	1.00	15.45	1.00
65	14.47	1.00	15.14	1.00
66	14.15	1.00	14.83	1.00
67	13.83	1.00	14.50	1.00
68	13.49	1.00	14.17	1.00
69	13.14	1.00	13.83	1.00
70	12.78	1.00	13.48	1.00
71	12.42	1.00	13.13	1.00
72	12.04	1.00	12.76	1.00
73	11.66	1.00	12.39	1.00
74	11.27	1.00	12.01	1.00
75	10.88	1.00	11.62	1.00
76	10.49	1.00	11.23	1.00
77	10.09	1.00	10.84	1.00
78	9.70	1.00	10.45	1.00
79	9.31	1.00	10.05	1.00
80	8.92	1.00	9.65	1.00
81	8.54	1.00	9.26	1.00
82	8.17	1.00	8.86	1.00
83	7.80	1.00	8.47	1.00
84	7.43	1.00	8.07	1.00
85	7.07	1.00	7.67	1.00
86	6.70	1.00	7.28	1.00
87	6.34	1.00	6.89	1.00
88	5.99	1.00	6.50	1.00
89	5.65	1.00	6.12	1.00
90	5.32	1.00	5.74	1.00
91	4.99	1.00	5.37	1.00
92	4.68	1.00	5.01	1.00
93	4.38	1.00	4.66	1.00
94	4.09	1.00	4.32	1.00
95	3.81	1.00	4.01	1.00

Notes:

1. The lump sum factor should only be used if the member has not received his/her lump sum from the scheme.
2. Use the age and gender of the ex-spouse, not the member.

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Table 5

Adjustment for Market Conditions (pension and lump sum) for pension credit – 1995 section

Age Last Birthday at Relevant Date	Yield on Index Linked Stocks at Relevant Date				
	0.0%	1.0%	2.0%	3.0%	4.0%
16-45	1.31	1.22	1.12	1.04	0.96
46	1.31	1.21	1.12	1.04	0.96
47	1.31	1.21	1.12	1.04	0.96
48	1.31	1.21	1.12	1.04	0.96
49	1.31	1.21	1.12	1.04	0.96
50	1.31	1.21	1.12	1.04	0.96
51	1.30	1.21	1.12	1.04	0.96
52	1.30	1.20	1.12	1.04	0.96
53	1.29	1.20	1.12	1.04	0.96
54	1.29	1.20	1.11	1.04	0.97
55	1.28	1.19	1.11	1.04	0.97
56	1.27	1.18	1.11	1.03	0.97
57	1.26	1.18	1.10	1.03	0.97
58	1.25	1.17	1.10	1.03	0.97
59	1.23	1.16	1.09	1.03	0.97

Notes:

1. Use the age and gender of the ex-spouse, not the member.

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Table 6

Adjustment for Market Conditions (pension only) for pension credit – 1995 section

Age Last Birthday at Relevant Date	Yield on Index Linked Stocks at Relevant Date				
	0.0%	1.0%	2.0%	3.0%	4.0%
16-45	1.31	1.22	1.12	1.04	0.96
46	1.31	1.21	1.12	1.04	0.96
47	1.31	1.21	1.12	1.04	0.96
48	1.31	1.21	1.12	1.04	0.96
49	1.31	1.21	1.12	1.04	0.96
50	1.31	1.21	1.12	1.04	0.96
51	1.31	1.21	1.12	1.04	0.96
52	1.31	1.21	1.12	1.04	0.96
53	1.31	1.21	1.12	1.04	0.96
54	1.30	1.21	1.12	1.04	0.96
55	1.30	1.21	1.12	1.04	0.96
56	1.29	1.20	1.12	1.04	0.96
57	1.29	1.20	1.11	1.04	0.97
58	1.28	1.19	1.11	1.04	0.97
59	1.27	1.19	1.11	1.03	0.97
60	1.24	1.17	1.10	1.03	0.97
61	1.24	1.17	1.10	1.03	0.97
62	1.24	1.16	1.10	1.03	0.97
63	1.24	1.16	1.09	1.03	0.97
64	1.24	1.16	1.09	1.03	0.97
65	1.24	1.16	1.09	1.03	0.97
66	1.23	1.16	1.09	1.03	0.97
67	1.23	1.16	1.09	1.03	0.97
68	1.23	1.16	1.09	1.03	0.97
69	1.23	1.16	1.09	1.03	0.97
70	1.23	1.16	1.09	1.03	0.97
71	1.22	1.15	1.09	1.03	0.97
72	1.22	1.15	1.09	1.03	0.97
73	1.22	1.15	1.09	1.03	0.97
74	1.22	1.15	1.09	1.03	0.97
75	1.22	1.15	1.09	1.03	0.97
76	1.21	1.15	1.08	1.03	0.97
77	1.21	1.14	1.08	1.03	0.97
78	1.21	1.14	1.08	1.03	0.97
79	1.20	1.14	1.08	1.03	0.97
80	1.20	1.14	1.08	1.03	0.98
81	1.20	1.14	1.08	1.03	0.98
82	1.19	1.13	1.08	1.02	0.98
83	1.19	1.13	1.08	1.02	0.98
84	1.18	1.13	1.07	1.02	0.98
85	1.18	1.12	1.07	1.02	0.98

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86	1.18	1.12	1.07	1.02	0.98
87	1.17	1.12	1.07	1.02	0.98
88	1.17	1.11	1.07	1.02	0.98
89	1.16	1.11	1.06	1.02	0.98
90	1.16	1.11	1.06	1.02	0.98
91	1.15	1.10	1.06	1.02	0.98
92	1.15	1.10	1.06	1.02	0.98
93	1.14	1.10	1.06	1.02	0.98
94	1.13	1.09	1.05	1.02	0.98
95	1.13	1.09	1.05	1.02	0.98

Notes:

1. Use the age and gender of the ex-spouse, not the member.