Southdown Consultants

PENSION REPORT FOR DIVORCE

Prepared For

Report Date

Court
Family Court at

Names
Mr R Benn
&
Mrs W Benn

Prepared By
A PODE

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1. BACKGROUND AND INSTRUCTIONS

1.1. Background

Southdown Consultants Ltd have been jointly instructed by ABC Solicitors LLP (acting on behalf of Mr R Benn) & XYZ Solicitors (acting on behalf of Mrs W Benn) to provide analysis of the pension benefits accrued by both parties in the context of divorce proceedings. Our report has been prepared with reference to the pension sharing legislation and regulatory framework in force in England and Wales at the date of this report.

Our primary duty is to the Court, although this Report is intended for use by Mr R Benn, Mrs W Benn and (where applicable) their Solicitor(s). It should not be used for any other purpose.

Furthermore, our report contains personal data for both parties. Uploading it (in whole or in part) to public generative AI tools may breach data protection requirements, for which we accept no responsibility. Such tools are also prone to misinterpreting technical actuarial content. We accept no responsibility for any AI-generated summary or interpretation of this report, and any reliance on such material is at the user's own risk.

1.2. Instructions

The instruction letter(s) provided to us are summarised in Appendix B – Instruction Letter and Reference Material.

1.3. Important information

1.3.1. Key benefit provisions

The schemes assessed in our Report, including any assumptions made where data is limited, are set out in the section Pension Scheme and Pension Sharing Information. Each party should review this information and confirm to us if anything is missing or materially inaccurate.

1.3.2. Limitations

The benefits shown in our Report are estimates, they are not guaranteed, but are used to calculate the appropriate pension shares. In practice, the actual benefits receivable by both parties both before and after any pension share, will likely differ to those shown.

Where any pension share is implemented, the Pension Sharing Annex (Form P1) must precisely state which benefits are to be shared. We accept no liability for errors in a Pension Sharing Annex or for any misinterpretation of our results.

We are not authorised by the Financial Conduct Authority (FCA) to provide financial advice. Nothing within this Report constitutes or should be interpreted as financial advice. Both parties should consider taking advice from a suitably qualified adviser before any settlement is reached, particularly in respect of which pensions should be shared (where there is a choice) and where any pension credit should be invested.

1.3.3. Technical Appendices

Additional appendices form part of this report and are contained in a separate document entitled 'Technical Appendices to the Pensions on Divorce Report' (the '**Technical Appendices**'). **It is important that the Technical Appendices are read alongside this report.**

2. EXECUTIVE SUMMARY

This section summarises our key outcomes[1] and should be read in conjunction with: (1) the detail contained later in our report, and (2) the Technical Appendices to understand results in their full context.

2.1. Commentary on Outcomes

2.1.1. Equalisation ages for equality of income

The Letter of Instruction has requested that incomes are equalised at State Pension Age.

In addition we have been asked to prepare outcomes to equalise capital values based upon a fair value assessment of all pensions held.

(supporting comments made relating to outcomes prepared)

2.1.2. Explanation of results

The reason that the pension sharing order to equalise capital values is higher/lower than that required to equalise income reflects (supporting comments made)

Pension increases assumed

We seek to illustrate incomes on a comparable basis for all schemes and in our report are illustrating non-State income relative to income which increases in payment in line with CPI

Our approach is discussed further in Technical Appendices C1: Pension Increases and Comparing Different Benefits.

2.1.3. Other important information

We understand Mr Benn is actively accruing in the xxx Pension Scheme, as such we refer the parties to Technical Appendices E4: Moving Target Syndrome.

2.1.4. Pension sharing charges

Details of any pension sharing charges are set out in the section Pension Scheme and Pension Sharing Information. We assume charges will be met directly by the parties, rather than being deducted from benefits (unless notes otherwise). Further charges may apply (e.g. advice fees, or requests for additional information from scheme providers).

2.1.5. Our general approach

Our general approach is to seek to maximise the combined post-sharing income for both parties and, where possible, provide both parties with the same type and form of pensions – particularly DB pensions where available. Further detail is set out in *Technical Appendices: C2 - Our Approach to Pension Sharing*. We may deviate from this, depending on the fact and circumstances of each case.

[1] Figures in our report are generally presented in gross terms (before any adjustment for tax), except where explicitly stated and are presented in 'real terms' (net of future inflation) .

2.2. Fair Values of Pension Benefits

Mr R Benn

Scheme / Insurer	Scheme Type	Scheme CEV	Fair Value (higher)	Fair Value (lower)	Fair Value
	DB				
	DC				
	DC				
	DC				
Total					

**Where the Fair Value differs to the Scheme CEV for DC schemes, the Fair Value figure is our estimated updated value as discussed under 'Current Benefits'*

Mrs W Benn

Scheme / Insurer	Scheme Type	Scheme CEV	Fair Value (higher)	Fair Value (lower)	Fair Value
	DB				
	DB				
Total					

2.3. Pension Sharing Order(s) to Provide Equality of Income

Basis of Pension Accrual	Equalisation Age	Pension Sharing Order	Form of pension credit
All Benefits	State Pension Age		

2.4. Pension Sharing Order(s) to Provide Equality of Fair Value

Basis of Pension Accrual	Pension Sharing Order	Form of pension credit
All Benefits		

2.5. Capital Offset should a PSO not be implemented

Equalisation Method	Scheme / Insurer	Pension Credit Type	Pension Share %	Capital Offset
Equality of Income at State Pension Age		Defined Benefit Internal Share		
		Defined Contribution		
	Total			
Equality of Fair Value		Defined Benefit Internal Share		
		Defined Contribution		
	Total			

Formula for calculating an alternative offset value

Scheme / Insurer	Capital Offset for each 1% PSO	PSO reduction for each £10,000 Capital Offset

3. DATA AND CURRENT BENEFITS

Name	Date of Birth	Age	Sex
Mr R Benn			
Mrs W Benn			

1. Health status

We have not been made aware of any health issues for either party. Our calculations are based on our standard assumptions.

2. Scheme summary

Mr R Benn

Scheme / Insurer	Scheme Type	Pension (pa)	Automatic Lump Sum	Cash Equivalent Value (CEV)	Calculation Date
	DB				
	DC				
	DC				
	DC				
Total					

Please note the following:

Mrs W Benn

Scheme / Insurer	Scheme Type	Pension (pa)	Automatic Lump Sum	Cash Equivalent Value (CEV)	Calculation Date
	DB				
	DB				
Total					

Please note the following:

We provide additional information on each plan in Appendix A.

4. STATE PENSIONS

4.1. Approach used in our Report relating to State Pensions

In our report we have included State Pension benefits as instructed, based on the forecasts provided. We have assumed that both parties will have accrued a full State Pension by State Pension Age. Please note that where we have been provided with State Pension forecasts we have expressed these figures in 2026/2027 terms.

4.2. Summary of State Pension benefits

Where information was provided, a summary of the State Pension Benefits built up by each party is as follows:

State Pension Benefits - Report Summary		
	Mr R Benn	**Mrs W Benn**
Payable from	Age 67 (29/07/2042)	Age 68 (21/12/2048)
Accrued to date	£9,615 pa / £184.28 pw (based on 2026/27 State Pension rates and National Insurance record to 05 April 2025)	£8,239 pa / £157.89 pw (based on 2026/27 State Pension rates and National Insurance record to 05 April 2024)
Additional credits required to achieve full State Pension	9 further years before 05/04/2042	13 further years before 05/04/2048
Forecasted State Pension	£12,591 pa / £241.30 pw (based on 2026/27 State Pension rates and National Insurance record to 05 April 2025)	£12,591 pa / £241.30 pw (based on 2026/27 State Pension rates and National Insurance record to 05 April 2024)
Full State Pension	£12,591 pa / £241.30 pw (based on 2026/27 State Pension rates) - for comparison	£12,591 pa / £241.30 pw (based on 2026/27 State Pension rates) - for comparison

Income is shown in today's value. The State Pension is reviewed each year and we expect this to increase each year before retirement. Under the arrangement called the "triple lock", the state pension goes up each year by either 2.5%, CPI inflation, or average earnings growth - whichever is the highest figure.

4.3. Adjustments to State Pension

State Pension income cannot be paid earlier than State Pension Age. Therefore, for any outcomes that explicitly take into account State Pension and seek to achieve equality at an age prior to State Pension Age, State Pension income is adjusted to an equivalent notional income payable from the relevant age.

Full details relating to State Pensions in included in the *Technical Appendices: A2 – State Pensions.*

5. FAIR VALUE

5.1. Background

There are broadly two main types of pension schemes: DB and DC (further detail is set out in *Technical Appendices: A1 – Different Types of Pension Schemes*).

DC Schemes

DC Schemes generally have a fund value from which the member can access benefits in the form of a tax-free lump sum and taxable income. The fund value is typically the fair value for these arrangements. Where the value provided to us is more than three-months out of date at the time of writing our report, we will typically estimate a current value as described in the Assumptions - Adjusting DC funds for investment returns.

This applies to the DC Schemes, listed in Current Pension Benefits.

Some DC schemes have special features, such as: guaranteed annuity rates, guaranteed pension amounts, underpins, protected tax-free cash or Guaranteed Minimum Pension (GMP). In such cases, the fund value may not represent the fair value and we will comment in our Report where we believe this to be the case. Further detail is set out in *Technical Appendices: D2 — DC Scheme Complexities.*

DB Schemes

DB Schemes generally provide a guaranteed income at retirement. The Cash Equivalent Value (CEV) - sometimes referred to as a 'Cash Equivalent Transfer Value' (CETV) or simply 'Transfer Value' is the cash sum that the scheme will pay in exchange for discharging its obligation to provide income in retirement.

5.2. Calculation of Cash Equivalent Values

Under current legislation, the trustees of each DB scheme are responsible for setting the assumptions used to calculate the Cash Equivalent, acting on advice of the scheme actuary. These reflect the specific circumstances of each scheme, such as the scheme's investment strategy, how long members are expected to live, future inflation. Where a scheme provides spousal or dependant's benefits on death, these are typically included in the scheme's CEV.

Two different schemes providing the same benefit to the same person could calculate very different CEVs, reflecting each scheme's own characteristics and views of its trustees. It can therefore be misleading to compare CEVs across DB schemes, and it is generally more appropriate to compare the benefits payable or to place a consistent value on those benefits.

This applies to the DB Schemes, listed in Current Pension Benefits.

5.3. Fair Value

Where we are asked to provide a capital value for a DB scheme, we calculate a Fair Value, using the assumptions set out in Assumptions section of the report.

Our **Fair Value** is intended to be broadly equivalent to the DC fund that would be required today to purchase the same guaranteed pension income as the DB scheme on the that an annuity is purchased at retirement.

Given the inherent uncertainty, we also show a range of outcomes alongside our central estimate, based on more and less cautious assumptions - referred to as Fair Value (higher) and Fair Value (lower). These use the same assumptions as our Fair Value, but with the pre and post-retirement discount rate being 0.5% pa lower or higher respectively (*lower* discount rate producing a *higher* Fair Value, and vis versa).

Our range is not intended as a definitive set of outcomes. It is designed to illustrate the sensitivity of outcomes to changes in assumptions. In practice, a scheme's CEV could fall outside our range for justifiable reasons, and alternative sensitivities (e.g. to life expectancy) could also be applied.

We use the same assumptions to calculate the Fair Value of any pension credit arising from a DB scheme (albeit based on the pension credit member's situation, rather than the original member).

For all of the reasons described, it is not uncommon for our Fair Value to differ - perhaps materially - to the CEV's provided by the scheme(s).

Our Fair Value assumptions are designed to be broadly market related. Therefore, even if our principles used to calculate Fair Value assumptions were identical to principles used by a scheme to calculate their CEVs, they would provide a different value if calculated at a different date reflecting different market conditions.

If requested in the instruction letter, the results of our Fair Value calculations are shown in this report.

5.4. Summary of Fair Value calculations

Mr R Benn

Scheme / Insurer	Scheme Type	Scheme CEV	Fair Value (higher)	Fair Value (lower)	Fair Value
	DB				
	DC				
	DC				
	DC				
Total					

Mrs W Benn

Scheme / Insurer	Scheme Type	Scheme CEV	Fair Value (higher)	Fair Value (lower)	Fair Value
	DB				
	DB				
Total					

6. PENSION SHARING ORDER(S) REQUIRED TO PROVIDE EQUALITY OF INCOME AT STATE PENSION AGE

We note the following points in relation to the subsequent outcomes that follow:

- Further details on Notional Pre-equalisation income can be found in the Assumptions - Notional Pre-Equalisation income.
- The lump sums shown in our Report (if any) are generally automatic lump sums only. Further information is set out in: Approach relating to Pension Commencement Lump Sums (PCLS).
- While it may appear as though there is a difference in the post-share position for each party, this is due to differences in automatic lump sums available. As such, we have sought to equalise the overall position. Further detail is set out in our assumptions under: Equalising where there is a difference in lump sum income.

Mr R Benn	Pension Income (pa) Pre Sharing	Notional Pre-equalisation Income (pa) Pre Sharing	Automatic lump sum Pre Sharing	Pension Sharing Order	Pension Income (pa) Post Sharing	Notional Pre-equalisation Income (pa) Post Sharing	Automatic lump sum Post Sharing
				% debit			
				% debit			
Total							
Grand total							

Mrs W Benn	Pension Income (pa) Pre Sharing	Notional Pre-equalisation Income (pa) Pre Sharing	Automatic lump sum Pre Sharing	Pension Sharing Order	Pension Income (pa) Post Sharing	Notional Pre-equalisation Income (pa) Post Sharing	Automatic lump sum Post Sharing
				% credit			
				% credit			
Total							
Grand total							

To achieve equality of income and lump sum at State Pension age, Pension Sharing Order(s) of:

1. **% would be required against the benefits accrued by Mr R Benn within the**
2. **% would be required against the benefits accrued by Mr R Benn within the**

7. PENSION SHARING ORDER(S) REQUIRED TO PROVIDE EQUALITY OF FAIR VALUE

Cash Equivalent Values, based upon the outcome of our Fair Value assessment, are:

Pre Sharing Capital Split	Mr R Benn	Mrs W Benn
Totals		
50% of the total value of the combined pension rights		
Mrs W Benn's shortfall		
Percentage Pension Share required on the		
1.	**%**	
2.	**%**	
Post Sharing Capital Split	**Mr R Benn**	**Mrs W Benn**
Totals		

Gross pension income and automatic lump sums (where payable) available to Mr R Benn and Mrs W Benn, assuming that a Pension Sharing Order(s) as set out below are implemented as at the date of this Report, based on total benefits payable:

1. % of Mr R Benn's pension rights in the

2. % of Mr R Benn's pension rights in the

Mr R Benn	Age 67 Pension income (pa)	Automatic lump sum
Total		

Mrs W Benn	Age 68 Pension income (pa)	Automatic lump sum
Total		

8. CAPITAL OFFSET REQUIRED SHOULD A PSO NOT BE IMPLEMENTED

8.1. Background

Offsetting involves converting pension benefits, which are an income stream payable for lifetime, into a capital figure, so that a transfer of non-pension assets can be used instead of (or alongside) a Pension Sharing Order. This requires a number of assumptions to be made. Our approach follows the guidance set out in The Report of the Pension Advisory Group – 'A Guide to The Treatment of Pensions on Divorce' (Second Edition) published in January 2024 ("**PAG2"**).

Capital Offset can be carried out in two different scenarios:

1. **Full Offset**: The capital that would need to be retained by the party with the lower income in order to provide them with an income at the same level as the higher income party.

Under the Full Offset, the capital is assumed to be transferred **before** sharing non-pension assets.

2. **PSO Offset**: The capital that would be required by the pension credit recipient (as detailed earlier in this report), in order to provide them with the benefits equivalent to those available from the Pension Credit.

Under the PSO Offset, the capital is assumed to be transferred **after** sharing non-pension assets

Unless otherwise stated, this report uses the PSO Offset method.

The calculation method depends on the nature of the pension credit:

1. **Defined Contribution Pension Credit**: Where benefits are received into a DC arrangement.

2. **Defined Benefit Internal Pension Share**: Where benefits are retained within a DB scheme. The offset in this instance seeks to calculate the **Fair Value** of the benefits payable from the scheme . The Fair Value methodology is explained in Fair Value of Pension Benefits.

Our valuation is based on the benefits payable to the pension credit member. We recognise that a different approach could be used, such as valuing the pension debit member's retained benefits, which could give rise to a different outcome.

In both cases, we account for the 25% tax-free Pension Commencement Lump Sum (PCLS) where available[2], with the remaining 75% subject to income tax. Based on our assumption for a basic rate taxpayer, this typically results in an overall adjustment of 15%.

8.2. Methodology, limitations and assumptions

Our approach is comparable to paragraph 7.24i of PAG2. PAG2 identifies this as one of the three most appropriate methodologies for offsetting valuations in most cases.

While we believe our valuation represents a fair assessment, we acknowledge that different methodologies, such as the realisable value or actuarial value approaches might produce different results.

We do not apply any additional adjustment for 'utility' (the perceived benefit of having cash now versus pension income later), as we deem this to be a decision for the courts. In particular the PAG

[2] Not the case for a disqualifying pension credit.

guidance states: "*adjustment for utility is not a matter on which the PODE should be expected to comment*".

Furthermore, we do not offer an opinion on how a case ought to be settled, and a detailed explanation of offsetting and associated issues is found in PAG 2 'Part 7: The dominant practice: Pension Offsetting'.

8.3. Conclusion

The capital offset figure is the amount of capital that would need to be passed from Mr R Benn to Mrs W Benn, in order to provide income in retirement that is equivalent to that which would have been provided in retirement assuming that the appropriate Pension Sharing Order(s) had been implemented.

The results are shown on the next page.

8.4. Capital Offset Solutions

Equalisation Method	Scheme / Insurer	Pension Credit Type	Pension Share %	Capital Offset
Equality of Income at State Pension Age		Defined Benefit Internal Share		
		Defined Contribution		
	Total			
Equality of Fair Value		Defined Benefit Internal Share		
		Defined Contribution		
	Total			

Formula for calculating an alternative offset value

Scheme / Insurer	Capital Offset for each 1% PSO	PSO reduction for each £10,000 Capital Offset

9. STATEMENT OF TRUTH

I, **, PODE** do declare that we have

1. An understanding of the operation of family law in financial remedy applications on divorce and the procedures followed in The Family Court for the resolution of financial cases on divorce

2. An understanding of FPR 2010 Part 25 and associated Practice Directions, including writing reports and the role of Single Joint Expert.

3. An understanding of the information needed on the pensions involved in order to provide the required analysis, including awareness of the limitations of information supplied by scheme administrators and consultants when providing such information.

4. The ability to analyse the accrued pension rights of Defined Benefit scheme members, taking account of the many different arrangements in Defined Benefit schemes including for (1) normal retirement age; (2) revaluation of the different pension elements between leaving and retirement; (3) provisions for increases on the different pension elements in retirement, including arrangements which are discretionary but where there is an established practice; (4) provisions for spouses pensions; (5) provisions for GMPs in revaluation before retirement, between retirement and GMP age, in step-ups and step-downs at GMP age, and in retirement after GMP age; (6) provisions for commuting pension into retirement lump sums; (7) provisions for early and late retirement, including arrangements which are discretionary but where there is an established practice; (8) provisions for temporary payments between retirement and State Pension age – with the ability to specify the correct equations and parameters for pension valuation according to established current actuarial methods.

5. The ability to analyse the accrued pension rights of active Defined Benefit scheme members taking account (in addition to the factors in 4 above) of (1) accrued pension revaluation different from that applying to leaver pensions during continuing service; (2) the effect of known or likely promotions or future pay movements (such as pensionable pay caps); (3) the effect of continuing service on retirement and early retirement (particularly important in the uniformed services); and (4) the effect of any early retirement and other terms which are dependent on employer consent but where there is an established practice of giving that consent for members in service with significant effect on the value of the pension.

6. The ability to analyse the accrued pension rights of Defined Contribution and Hybrid Defined Benefit/ Defined Contribution pensions, taking account of annuity rate and other guarantees and underpins (such as GMP underpins in s32 policies, and such as the various points in 4. and 5. above relating to the Defined Benefit element of Hybrid Defined Benefit/Defined Contribution pensions).

7. The ability to analyse and estimate projection over short periods (up to one year) of: the calculation of Cash Equivalents (CEs) for Defined Benefit pensions, including understanding the variety of market practices; how this takes account of changing financial market conditions; how this takes account of the financial position of the fund and the employer; and the framework for the calculation for public service pensions.

8. The ability to analyse the Benefit debits and credits from sharing the various pensions, including an understanding of how to consider the loss of value if pensions are shared, and how to analyse and report on the relative merits of sharing each pension.

9. The ability to analyse pension sharing credit options, where available, of internal (actuarial equivalent) and external (money-purchase) sharing.

10. The ability to analyse Defined Benefit pensions (1) at risk of, (2) under assessment for, and (3) entering or already entered into the Pension Protection Fund, including how CEs are calculated and how pension sharing debits and credits are calculated.

11. The ability to analyse aspects where Defined Benefit pensions and Defined Contribution pensions (including external sharing of Defined Benefit pensions) are qualitatively different, including (1) choices and flexibilities of Defined Contribution pensions not available with Defined Benefit pensions, including the ability to draw cash, (2) different lump sum commutation terms, (3) uncertainties of Defined Benefit pension payment due to underfunding, employer default, entering PPF, or with established employer discretionary Benefits possibly being withdrawn, and (4) Defined Benefit early and late retirement terms sometimes significantly different in value to the early and late retirement effect on Defined Contribution pensions.

12. The ability to analyse and take into account different ways of comparing the value of pensions with fixed and with inflation-linked increases where the gap in market annuity rates is arguably higher than the real, relative value due to market distortions.

13. The ability to analyse the various aspects of State Pension Benefits, including how they can be shared or otherwise affected by divorce.

14. An understanding of how health impacts on retirement income from the various types of pension scheme and expertise sufficient to identify when specialist health or impaired life underwriting/annuity advice should be taken.

15. An understanding of the tax regimes, in particular the Lifetime Allowance charge, applicable to the pension Benefits in the case, an understanding of how tax efficient solutions might be arrived at in the case, and expertise sufficient to identify when specialist tax advice should be taken.

16. An understanding of how investments, such as property investments in SIPPs and SSASs, can impact on pension and pension sharing Benefits, and expertise sufficient to identify when specialist advice should be taken.

17. An understanding of the sensitivity of valuations to assumptions, and how an independent value might vary according to variation in those assumptions. The assumptions include both assumptions about the parties' circumstances and behaviour, and assumptions about the parameters used in the valuation.

18. An understanding of the wider regulatory environment for pension Benefits.

19. An understanding of and proportionate recognition in our work of the following Actuarial Professional Standards and Technical Actuarial Standards produced by the Institute and Faculty of Actuaries and Financial Reporting Council respectively:

    a. APS X2 (Review of Actuarial Work) dated July 2015

    b. APS X3 (The Actuary as an Expert in Legal Proceedings) version 2.0 dated April 2018

    c. Technical Actuarial Standard 100 TAS 100 v2 (March 2023 standard for actuarial work)

Signed

For and on behalf of Southdown Consultants Limited

Date

APPENDIX A - Pension Scheme and Pension Sharing Information

This section sets out the information for each pension assessed in this Report. Except where expressly indicated, we have not independently verified the information supplied.

The information is based on our understanding and interpretation of the scheme benefits, derived from information provided to us. We accept no liability where that information is incorrect. This section is not exhaustive and does not confer any right to benefits; individuals should contact the relevant provider for full details.

If any pension benefits are missing or any information is incorrect, please notify us immediately.

Mr R Benn Pension Scheme Information:

Reference Number	
Scheme Type	DB
Member type	
Normal Retirement Age	
Earliest Retirement Age	
Date of Joining	
Date of Leaving	
Deferred Increases	
Increases in payment	
Scheme Specifics	
Actuarial Factors	
Comment on data provided	
Source data	
Benefit Tranches	

Reference Number	
Scheme Type	DC
Plan Status	
Normal / Target Retirement Age	
Earliest Retirement Age	
Start Date	
End Date	
Plan Specifics	
Source data	

Mrs W Benn, Pension Scheme Information:

Reference Number	
Scheme Type	DB
Member type	
Normal Retirement Age	
Earliest Retirement Age	
Date of Joining	
Date of Leaving	
Deferred Increases	
Increases in payment	
Scheme Specifics	
Actuarial Factors	
Comment on data provided	
Source data	
Benefit Tranches	

Pension Sharing Benefits

Scheme Type	
CEV Used for Pension Credit (pre-share)	
Age used for pension credit calculation	
Normal Retirement Age for Pension Credit	
PSO Sharing Method	
Pension Commencement Lump Sum	
PSO Implementation Fee(s)	
Pension credit conversion terms	
Deferred Increases	
Increases in Payment	
Early / Late Retirement	
Other benefits	

APPENDIX B - Instruction Letter and Reference Material

All source data, including the letter of instruction and information relating to each party's benefits, is included in the Shared Folder provided at the time this Report is issued. This data forms part of our overall assessment and should be read in conjunction with this Report. Key source data is summarised in Appendix A.

This report makes reference to A Guide to the Treatment of Pensions on Divorce – The Report of The Pension Advisory Group.

APPENDIX C - Assumptions

1. Summary

When comparing and analysing the pensions held by each party a number of assumptions must be made. Unless our assumptions are all borne out in practice, then actual outcomes to each individual will differ to our estimates.

In practice there a range of opinions in pension valuation work. Different experts using different methods or assumptions might arrive at different assumptions and resulting outcomes to those shown in this report.

The core assumptions used within this report are as follows:

Item	Core Assumption
Consumer Price Index (CPI)	2.50% per annum
Retail Prices Index (RPI)	3.25% per annum
Pre-retirement investment return	4.75% per net return after allowing for costs and charges (net real return of 2.25% pa over CPI)
Annuity assumptions[3]:	
• Post-retirement discount rate	Bank of England fixed-interest nominal gilts less a margin
• Pension increases	In line with RPI/CPI plus 0.25% to allow for the inflation guarantee (unless noted in our report).
• Post-retirement mortality	Average of 100% of S3PMA & S3PFA tables (Year of Birth). Future improvements in line with CMI_2021 1.5% males and 1.25% females (A=0.25%; w2020=10%; w2021=10%).
• Expenses	No explicit allowance
• Guarantee period	5 years
• Spouse's pension provision	Single life annuity assumed
Tax	Incomes in our Report are presented in gross terms. Where relevant, tax rates are equal for both parties (we assume 20%

[3] Used for converting defined contribution funds into income, and for calculating the present value (Fair Value) on defined benefit pensions. Annuity assumptions are updated periodically.

	unless explicitly noted in the report).
Health status	Each party is assumed to be in good health (unless stated in the Report).
Rounding	All figures are rounded to the nearest £1 and assumptions to nearest 0.05%
All values in this Report are shown in today's terms (discounted using CPI)	

2. Rationale

i. CPI inflation

The UK Government maintains an inflation target of 2% which arguably provides a strong anchor for long-term inflation expectations.

CPI stood at 3.8% in September 2025. The Bank of England's November 2025 Monetary Policy Report project CPI inflation will return to close to 2% by Q4-2027 and the OBR's November 2025 Economic and Fiscal Outlook projects CPI inflation falls rapidly back to around the 2% level in 2027. The HM Treasury comparison of independent forecasts for the UK economy published in September 2025 shows the median forecast of CPI inflation for 2025 to be 3.6%, falling to 2.3% in 2026.

In light of these, and in recognition that there is some historical evidence for inflation to average marginally above target, we adopt a current long-term CPI inflation assumption of 2.5% pa.

In setting a CPI (or RPI – see below) pension increase assumption, we add an addition of 0.25% pa to reflect the underlying inflation guarantee.

ii. RPI inflation

In the past, the rate of change in RPI has been higher on average than CPI. There are several differences between the constituents used for CPI and for RPI and both indices are calculated in a slightly different way.

Historically, RPI has increased at a faster rate than CPI. The OBR's Economic and Fiscal Outlook reports have historically noted a long-run RPI/CPI difference of generally 1% pa.

From February 2030 onwards, the RPI will align with CPIH (a variant of CPI that includes housing costs), and we expect the RPI-CPI difference to largely fall away.

We therefore make an allowance for the proposed 2030 change by reducing our long-term RPI assumption by 0.25%. This gives rise to a current long-term RPI-CPI difference of 0.75% pa which will likely be reduced as we approach 2030.

iii. Pre-retirement investment return

Our pre-retirement investment return (accumulation rate) is used to discount DB pension promises when calculating our Fair Value (or Offset) and to accumulate DC funds up to retirement. It is generally accepted that there is some relationship between inflation and investment returns and this therefore forms the basis of our assumption.

Members invested in a DC fund typically (but not always) follow a lifestyle strategy, starting with higher return seeking investments (younger members) and gradually reducing to more conservative assets near retirement. We seek to come up with a return that, on average, could be appropriate over an individual's working life. The Financial Conduct Authority (FCA) has a prescribed nominal long-term investment growth rate assumption of 5% for firms to use when generating projections for consumers with a typical mixed portfolio.

We therefore make the assumption that pre-retirement investment returns will be 3% pa above CPI (gross), less a deduction of 0.75% pa in respect of investment fees/expenses. This gives a real return of CPI + 2.25% pa.

Where we are to use actual investment returns, for example to revalue a member's CEV which may be outdated to current date, it can be complicated to do this using member's actual funds, as they can typically be invested in a range of funds. In such case, we use returns on a proxy fund, being the Stan Life Multi Asset Managed (20-60% Shares) Pn S1, based on historical prices from the Financial Times. We use this fund being generally representative of a typical UK DC default-style holding in the 20–60% equity risk band, making it broadly consistent with many UK DC "balanced" or "moderate risk" funds.

iv. Annuity assumptions

Our annuity assumptions, when taken in the round, are designed to provide a proxy for the rates set by insurers for members who purchase an annuity at retirement. We use these annuity assumptions to: (1) convert a DC fund into income (E.g. an annuity rate of 20, would mean a DC fund of £100,000 would be anticipated to provide an annual income of £5,000 pa for life) and (2) calculate the value of a guaranteed income provided by a DB scheme (this is also relevant in our Fair Value or Offsetting calculations).

Our annuity assumptions will not exactly replicate insurance terms, but are intended to generally lie within +/- 10% of the equivalent terms that could be obtained in the market. We review these periodically and revise as necessary.

Where we provide a range of outcomes (e.g. Fair value higher or lower), these are not intended as an absolute and definitive range of outcomes. Rather, they are designed to help illustrate some level of variability in overall outcomes, if the central assumptions we chose were not borne out in practice.

v. Other assumptions

Tax: Incomes in our Report are presented in gross terms. Where relevant, tax rates are equal for both parties (we assume 20% unless explicitly noted in the report).

Health: We are not medical experts and are unable to provide advice on how an individuals health may impact annuity terms. Where we are specifically asked to take an individual's health into account in our calculations, we generally seek to provide additional calculations based on an adjustment to our core assumptions. This does not mean that our outcomes give the "right" answer, rather it is designed to help the parties understand how sensitive the outcomes are to a change in assumptions.

Utility: Where relevant, we do not apply any additional adjustment for 'utility' (the perceived benefit of having cash now versus pension income later), as we deem this to be a decision for the courts. In particular the PAG guidance states: "*adjustment for utility is not a matter on which the PODE should be expected to comment*".

vi. Pension Sharing Approach

This is discussed in detail in *Technical Appendix: C2 – Our Approach to Pension Sharing* although we summarise the principles here.

When sharing benefits, we generally take the view that, if available, a DB scheme that provides an internal pension credit rather than an external transfer is generally preferable (subject to the conversion terms). This is common in public sector schemes.

This approach seeks to preserve the value of DB pensions, which generally provide: (i) guaranteed income for life often with inflation-linked increases, no investment or longevity risk borne by the member; (ii) protection against potential Cash Equivalent Value (CEV) undervaluation, particularly for younger members or those far from retirement; and (iii) potential avoidance of external transfer charges and ongoing fund management fees associated with a defined contribution arrangement.

External transfers are typically considered where there are compelling reasons, such as scheme-specific concerns, need for flexibility, or where the receiving party's circumstances make guaranteed income less suitable. In some cases, we may not have a scheme's internal pension credit conversion factors (with the exception of the public sector, some providers charge for this service), and in such cases our only option would be to illustrate an external share against such schemes.

vii. Approach relating to Pension Commencement Lump Sums (PCLS)

Members who have not yet crystallised their benefits, generally have the option of taking up to 25% of the capital value of their pension benefits as a tax-free lump sum at retirement, known as a pension commencement lump sum (PCLS), subject to HMRC limits.

For defined contribution schemes, this simply means withdrawing up to 25% of the fund — for example, from a pot of £100,000, this could mean a £25,000 PCLS with £75,000 remaining. For defined benefit schemes, which provide an income for life, the position is different: the member may commute (exchange) part of their pension income for a PCLS, with the terms of that exchange set by the scheme using pre-determined 'commutation factors'. These factors vary between schemes, some being more or less generous than actuarial equivalence.

Whether or not to take a PCLS is a personal decision exercised by the individual member at the point of retirement based on their particular circumstances, tax position and financial needs at that time. We take the view that it is not the role of the PODE to predetermine whether or not a member will exercise a particular option. Furthermore, for the purposes of comparing pension incomes on a consistent basis (particularly where a case involves multiple pensions with differing commutation terms) we believe it is generally more appropriate to show the full pension income before any commutation. For these reasons, we do not assume that members exercise the option to commute, and accordingly do not show a PCLS in our report.

The above relates to the optional commutation of pension for a PCLS. The position is different where a scheme provides an automatic lump sum as part of the benefit structure, rather than as an option exercised by the member.

viii. Equalising where there is a difference in automatic lump sum

Some of the legacy public sector schemes (and some private sector, albeit rare) offer an automatic lump sum, this is usually a multiple of pension (often 3 or 4 times pension), either for original member benefits or as part of pension credit benefits.

In such cases, it is not straightforward to balance both income and automatic lump sum at the same

time. In order to achieve overall equality, there are a number of options. In our Report, we show automatic lump sum (where payable) and, in order to achieve overall equalisation of benefits, one party may have a higher or lower income, to compensate for a lower or higher automatic lump sum respectively. This difference is designed to be actuarially equivalent, based on our Fair Value assumptions.

As a simplified example, if Party A is entitled to an automatic lump sum of £10,000 from age 60, and Party B does not have any automatic entitlement, we might provide Party B with £500 pa higher income (illustrative). The actuarial value of this additional income is equivalent to £10,000, based on our Assumptions. In doing our calculation, we recognise that lump sums are paid tax free (subject to HMRC limits), while pension income is generally taxed.

Some firms convert all automatic lump sums into an equivalent additional pension, and equalise the pension plus 'additional lump sum income pension' to achieve equality. Our approach is broadly comparable, albeit we take the view that it is more intuitive to members to see lump sums in the report, where these are payable. We recognise that different approaches are available and may produce different results.

ix. Notional Pre-Equalisation income

When calculating equality of income at a specified age, we may need to consider pension benefits received prior to this "equalisation age".

Generally where a pension is drawn after normal retirement age, schemes typically increase the pension to take account the fact that it is expected to be paid for a shorter period. Where available, we apply a scheme's 'late retirement factors' to determine this increase.

However, not all DB schemes provide late retirement uplifts. Furthermore, some individuals may already have benefits in payment, and we are seeking to assess equalisation at a later age (often this occurs in uniformed schemes, which can provide for generous early retirement terms).

In these cases we assume that all benefits come into payment at normal retirement age, or reflect the fact that a pension is already in payment and then calculate a 'pre-equalisation income'. This is a notional additional income, payable from the equalisation age onwards. This notional additional income – payable for life - has the same actuarial value as the pension payments (net of tax), received prior to the equalisation age.

We do not show pre-equalisation income within our capital / fair value outcomes, as it only represents a notional additional income for income equalisation purposes.

Simplified example

For example, consider a simplified case where a person aged 65 has a life expectancy of 20 years. We estimate that £2,000 pa paid between age 65 and age 85 has the same actuarial value (£40,000) as £8,000 paid between age 60 and age 65 (£40,000).

In this example, £2,000 pa paid from age 65 represents our notional pre-equalisation income.

It is important to understand that this does not necessarily represent actual income that a scheme would provide. This approach accounts for a potential "income gap" where one party receives an income prior to the other, by incorporating pension payments received prior to the equality age.

The calculation of this notional pre-equalisation income is based on our Assumptions. Our example above ignores the impact of tax for simplification.

Some firms place a capital value on pension income received prior to the relevant equalisation age, and present that information in their report for consideration. We recognise that different approaches are available and have their own merits.

x. Adjusting DC funds for investment returns

Where we are provided with the CEV for a DC scheme, as described in the Fair Value section, we typically take the Fair Value to be the CEV (as noted, there are some exceptions). For CEVs that are more than three-months out of date, we typically therefore seek to estimate a more up-to-date value.

In practice, this can be complex to do accurately for a number of reasons. For example, we would need details of exactly where a member's funds are invested, details of all cashflows into and out of the plan (contributions, charges etc) and details of any fund switches.

Our approach therefore is to calculate an estimated value, by applying known investment returns on a proxy fund (being the Standard Life Assurance Multi Asset Manage 20-60% Shares Series 1 Pension fund) from the CEV statement date to the date or the report (or similar) assuming zero net cashflows over the period.

We choose this fund as we believe it is broadly representative of a "typical" retirement fund in which individuals may be invested. To the extent that actual returns are higher or lower than those assumed, then the resulting figures will differ.

Our approach is not intended to perfectly replicate actual returns, rather act as a proxy to aim to take into account broad market movements where CEVs are some months out of date. There may be circumstances where different returns are used, and we will explain these in our report, most often this is where we are able to use known fund returns (typically where the benefits are invested in a specific fund and there have been no fund switches).

xi. Timing

We generally assume that any Pension Sharing Order is effective as at the date of our report (unless specifically noted (as we may make adjustments to reflect near changes in parties ages etc).

As Cash Equivalent Values are generally market related, unless pension shares are implemented at the time we assume, then the greater the possibility of differences arising in CEVs used in our report and those actually used for implementation. This is discussed in detail in *Technical Appendices: G1 - Post-Order implementation issues.*

Furthermore, if there are any material changes in a member's benefits prior to a pension share being implemented (for example, a member crystallises their benefits by way of taking a PCLS), then our outcomes would need reworking.

xii. Adjustment for pension increases

Benefits can and do increase in different ways, both in deferment and when in payment. Unless stated, we generally convert all benefits into a common "currency", this allows us to compare benefits on a life for like basis. This is described in detail in *Technical Appendices: C1 – Pension Increases and Comparing Different Benefits.*

xiii. Projection of benefits

In practice, members may remain active members of a particular scheme, and therefore are likely to accrue further benefits in the future. Unless explicitly stated, our report is based benefits accrued up to the report date (or date of most recent statement provided), and we do not take into account potential future contributions or benefit accrual for active members.

Furthermore, unless stated, we typically work on a “leaving service basis”. This means that DB benefits are assumed to increase at the rate of revaluation of deferred benefits, regardless of whether salary increases are at a different rate, and benefits available are in line with those available to deferred members. In certain circumstances (often uniformed schemes), we may take an alternative approach and will explain the rationale in our report.

APPENDIX D - Curriculum Vitae

Curriculum Vitae of : Pension on Divorce Expert (PODE)