Southdown Consultants

PENSION REPORT FOR DIVORCE

Click or tap to enter a date.

Prepared For

Court
Family Court at

Reference
1234-5678-1234-5678

Applicant
Mr W Benn

Respondent
Mrs B Benn

Prepared By

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REPORT CONTENTS

1. BACKGROUND AND INSTRUCTIONS

Background

Southdown Consultants Ltd have been jointly instructed by ABC Solicitors (acting on behalf of Mr W Benn) & XYZ Solicitors (acting on behalf of Mrs B Benn) to provide analysis of the pension benefits accrued by both parties.

This Report is intended for use by Mr and Mrs Benn, their Solicitors and the Court; although we note that our primary duty is in giving evidence to assist the Court.

The descriptions of the pension rights and the options have been kept as jargon-free as is possible, without losing essential information. Section 13 details the options available with regard to pensions and a table of definitions.

Instructions

We have been instructed, as a single joint expert, to provide a report advising on (wording taken from the Letter of Instruction dated DATE_OF_LOI):

1.1. The pension sharing order or orders that would achieve equalisation of pension income in retirement (assuming income commences at either age 60 or State Pension Age), based on the current CEVs of the parties' pensions;

1.2. The pension sharing order or orders that would be required to achieve equalisation of CEVs, based on the current CEVs of the parties' respective pensions;

1.3. The capital that would be required to offset the Pension Sharing Order outcomes in 1.1 and 1.2

2. EXECUTIVE SUMMARY

In this section, we summarise the key outcomes based upon the questions asked in the letter of instruction.

For more detail please refer to appropriate section of the report as shown in the Contents Page. The link in each sub heading below will take you directly to that section of the report.

Fair and Replacement Values of Pension Benefits

Mr Benn

Scheme / Insurer	Scheme CEV	Replacement Value	Fair Value Range	Mid Value

Mrs Benn

Scheme / Insurer	Scheme CEV	Replacement Value	Fair Value Range	Mid Value

Pension Sharing Order Required to Provide Equality of Income

Basis of Pension Accrual	Retirement Age	Pension Sharing Order
All Benefits	60	**xx.xx%** of the Benefits accrued by Mr W Benn within the XXX Pension Scheme
	State Pension Age	**xx.xx%** of the Benefits accrued by Mr W Benn within the XXX Pension Scheme

Pension Sharing Order Required to Provide Equality of Fair Value

Basis of Pension Accrual	Pension Sharing Order
All Benefits	**xx.xx%** of the Benefits accrued by Mr W Benn within the XXX Pension Scheme

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Capital Offset Required should a PSO not be implemented

Equalisation Method	Gross Pension Share	Capital Offset

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, ASSUMPTIONS AND BASIS OF CALCULATIONS

Name	Date of Birth	Age
Mr W Benn		
Mrs B Benn		

Date of Cohabitation	Date of Marriage	Date of Separation

When comparing and analysing the pensions held by each party a number of assumptions must be made in order to complete the calculations. 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
Investment Returns	4.50% per net return after allowing for costs and charges – assumes a Low to Medium Risk Investor
Life Expectancy	'Cohort' data is taken from ONS20, one of the numerous available life tables in the UK, derived from UK national population projections published in January 2022.
Annuity Assumptions	Annuity Rates are obtained from Assureweb and updated monthly.
Tax	Tax Rates are equal for both parties.
Retirement Income	Income increases at the same rate for both parties.
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
State Pension	Each party will receive a full state pension from their state retirement age (unless stated in the Report).
All values in this Report are shown in today's terms	

Additional information relation to our assumptions can be found in the Appendices:

[Important Information Relating to our Other Assumptions and the Basis of our Calculations]

Within the Appendices you also will find the following information:

A Summary of Reference Material used within this Report

Public Sector Pensions – The McCloud Remedy

Report Caveats

The Process for Implementing a Pension Sharing Order

Summary of Options Relating to Pensions

Constraints of this Report

This Report is based on the information that has been supplied to us. A summary of the information origin is provided in the appendices. If you have any questions regarding the information we have used, or any assumptions that we may have made, you should let us know as soon as possible.

Important Notes

This Report is based on current legislation and facts and current interpretation of those facts, Legislation can change in future, and this can affect the findings of this Report. We cannot predict any changes in the future. The content of this Report should not be taken as financial or investment advice to the individual. This Report is not a legal opinion and the content should be considered as having the equivalent of "without prejudice" status, as it is advising how to achieve certain "targets".

If further information is produced and brought to our attention after issuing this Report, we reserve the right to revise our opinions as appropriate.

Except where expressly indicated, we have not audited the information supplied and accordingly, we can accept no liability should there be a reliance upon the accuracy of the figures, and these subsequently prove to be incorrect.

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

4. CURRENT PENSION BENEFITS

Mr Benn

Pension Scheme / Insurer	Scheme Type	Deferred Pension (pa)	Pension Commencement Lump Sum (PCLS)	Cash Equivalent Value (CEV)	Calculation Date
Defined Benefit H1	Defined Benefit				01/12/2024
Defined Benefit H2	Defined Benefit				01/12/2024
Defined Contribution H3	Defined Contribution				01/12/2024
Defined Contribution H4	Defined Contribution				01/12/2024
Total					

Mrs Benn

Pension Scheme / Insurer	Scheme Type	Deferred Pension (pa)	Pension Commencement Lump Sum (PCLS)	Cash Equivalent Value (CEV)	Calculation Date
Defined Benefit W1	Defined Benefit				01/12/2024
Defined Benefit W2	Defined Benefit				01/12/2024
Defined Contribution W3	Defined Contribution				01/12/2024
Total					

We provide additional and supporting information on each scheme / plan in the Appendices.

Within remainder of the report Defined Benefit Pensions are referred to as DB and Defined Contribution Pensions are referred to as DC.

5. STATE PENSION BENEFITS

In addition to the benefits detailed in section 4 both parties have accrued benefits within the State Pension Scheme. [Based upon the information provided, it is our view that both parties will receive the same level of State Pension in Retirement and for this reason we have excluded these benefits from our analysis and the information is not included in sections that follow].

The State Pension provides an income from State Pension Age. This income is calculated with reference to the number of qualifying years an individual accrues, with the maximum State Pension being obtained if 35 'qualifying years' are secured. Although, sometimes more may be needed if the individual has been contracted out at some stage during their working life.

Qualifying Years are obtained through National Insurance contributions and can also be obtained through being awarded National Insurance Credits (due to caring responsibilities or through working age benefits such as Working Tax Credit, Jobseekers Allowance or Employment and Support Allowance).

It is possible for benefits in excess of the State Pension to be accrued, due to changes made within the State Pension System in 2016. We will highlight this, if we believe this to be the case.

Further details on the State Pension can be found here:
https://www.gov.uk/government/publications/your-new-state-pension-explained/your-state-pension-explained

A summary of the State Pension Benefits built up by each party is as follows:

Key Information	Mr W Benn	Mrs B Benn
State Pension Age	Age 67	Age 67
State Pension Accrued to date		
Additional credits required to achieve full State Pension		
Expected State Pension at State Pension Age	£11,542 pa / £221.20 pw	£11,542 / £221.20 pw

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.

6. FAIR VALUE & REPLACEMENT VALUE OF THESE PENSION BENEFITS

There are two main types of pension schemes Defined Contribution (DC) Schemes and Defined Benefit (DB) Schemes.

DC Schemes have a fund value from which the plan holder can access benefits, in the form of a lump sum and taxable income. The fund value is typically deemed to be the fair value for these arrangements.

This applies to the DC Schemes, listed in section 4.

Some DC schemes have special features, such as guaranteed annuity rates. In those cases, the fund value is not necessarily the fair value and we will comment in our Report where we believe that to be the case.
DB Schemes provide a guaranteed benefit at retirement. The Cash Equivalent Value (CEV) - sometimes also referred to as a 'Cash Equivalent Transfer Value' (CETV) or just 'Transfer Value' of these schemes is the cash sum which each scheme will pay in exchange for the discharge of their obligation to fund a promise of income in retirement.

Under current legislation, the trustees of each DB scheme are responsible for setting the terms used to calculate a CEV (acting on advice from their appointed scheme actuary). These terms – or assumptions - reflect the specific circumstances of each scheme. They take into account things such as how the scheme's assets are invested, how long members are expected to live, what future inflation might be etc. In addition, where a scheme provides for spousal or dependant benefits on death, these are typically included as part of the scheme's CEV.

Two different schemes providing the same benefit to the same person, could calculate very different CEVs, reflecting each scheme's characteristics and views of the trustees.

As such, it can often be misleading to compare CEVs across DB schemes and it is therefore more preferable to compare the benefits payable or to place a consistent value those benefits (more below).

This applies to the DB Schemes, listed in section 4.

Where an opinion is required of a capital value of a defined benefit scheme, we provide a number of figures, these being a **Replacement Value, Fair Value Range** and **Mid Value.**

1. The **Replacement Value** is the equivalent Defined Contribution fund today that would be required to purchase the same guaranteed pension income as the defined benefit scheme, with a key assumption being that an annuity is purchased at retirement. The **Replacement Value** therefore depends on annuity rates in the market, which are based on assumptions set by insurance providers.

2. The **Fair Value** is similar, but instead uses our own assumptions for life expectancy, investment returns and inflation.

3. The **Mid Value** is calculated as the mid-point of our **Fair Value Range** and represents our best estimate value. Our **Fair Value Range** reflects slightly different investment return assumptions. The lower end showing a more optimistic outcome (higher investment returns), and the higher end showing a more prudent outcome (lower investment returns).

For our **Replacement Value**, **Fair Value Range**, and **Mid Value** calculations, we assume that the only pension(s) payable are to the individual member – i.e. we don't make allowance for spouse's benefits on the member's death.

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

These calculations are summarised below:

Scheme / Insurer	Scheme CEV	Replacement Value	Fair Value Range	Mid Value

7. PENSION SHARING ORDER REQUIRED TO PROVIDE EQUALITY OF INCOME

7.1. At Age 60

Mr W Benn	Pension Income (pa) Pre Sharing	PCLS Pre Sharing	Pension Sharing Order	Pension Income (pa) Post Sharing	PCLS Post Sharing
Defined Benefit H1			**xx.xx% Debit**		
Defined Benefit H2					
Defined Contribution H3					
Defined Contribution H4					
Total					

Mrs B Benn	Pension Income (pa) Pre Sharing	PCLS Pre Sharing	Pension Sharing Order	Pension Income (pa) Post Sharing	PCLS Post Sharing
Defined Benefit W1					
Defined Benefit W2					
Defined Contribution W3					
Defined Benefit W4 – Internal Pension Credit			**xx.xx% Credit**		
Total					

To achieve equality of income and lump sum at age 60, a Pension Sharing Order of xx.xx% would be required against the benefits accrued by Mr W Benn within the XX Pension Scheme.

It may be possible for additional lump sums to be payable in return for a reduced income. The lump sums shown above are the automatic lump sums along with an additional appropriate amount to deliver a matching income and lump sum for both parties. These are not calculations of the maximum lump sums that may be available.

7.2. At State Pension Age

Mr W Benn	Pension Income (pa) Pre Sharing	PCLS Pre Sharing	Pension Sharing Order	Pension Income (pa) Post Sharing	PCLS Post Sharing
Defined Benefit H1			**xx.xx% Debit**		
Defined Benefit H2					
Defined Contribution H3					
Defined Contribution H4					
Total					

Mrs B Benn	Pension Income (pa) Pre Sharing	PCLS Pre Sharing	Pension Sharing Order	Pension Income (pa) Post Sharing	PCLS Post Sharing
Defined Benefit W1					
Defined Benefit W2					
Defined Contribution W3					
Defined Benefit W4 – Internal Pension Credit			**xx.xx% Credit**		
Total					

To achieve equality of income and lump sum at State Pension age, a Pension Sharing Order of xx.xx% would be required against the benefits accrued by Mr W Benn within the XX Pension Scheme.

It may be possible for additional lump sums to be payable in return for a reduced income. The lump sums shown above are the automatic lump sums along with an additional appropriate amount to deliver a matching income and lump sum for both parties. These are not calculations of the maximum lump sums that may be available.

8. PENSION SHARING ORDER 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 W Benn	Mrs B Benn
Defined Benefit H1		
Defined Benefit H2		
Defined Contribution H3		
Defined Contribution H4		
Defined benefit W1		
Defined benefit W2		
Defined Contribution W3		
Totals		
Value of the combined pension rights		
50% of the total value of the combined pension rights		
Mrs B Benn's shortfall		
Percentage Pension Share required on Mr W Benn's xx.xx Pension Scheme	**xx.xx%**	
Post Sharing Capital Split	**Mr W Benn**	**Mrs B Benn**
Defined Benefit H1		
Defined Benefit H2		
Defined Contribution H3		
Defined Contribution H4		
Defined benefit W1		
Defined benefit W2		
Defined Contribution W3		
Totals		

Gross pension income and automatic pension commencement lump sums (PCLS) available to Mr and Mrs Benn assuming that a Pension Sharing Order for xx.xx% of Mr W Benn's pension rights in the XX Pension Scheme is implemented as at the date of this Report:

Mr W Benn	Pension Income at Age 60	PCLS at Age 60	Pension Income at Age 67	PCLS at Age 67
Defined Benefit H1				
Defined Benefit H2				
Defined Contribution H3				
Defined Contribution H4				
Total				

Mrs B Benn	Gross Pension Income at Age 60	PCLS at Age 60	Gross Pension Income at Age 67	PCLS at Age 67
Defined Benefit W1				
Defined Benefit W2				
Defined Contribution W3				
Defined Benefit W4 – Internal Pension Credit				
Total				

9. CAPITAL OFFSET REQUIRED SHOULD A PSO NOT BE IMPLEMENTED

There are numerous methods that can be used to calculate the capital required to offset an imbalance of income. The Report of the Pension Advisory Group – 'A Guide to The Treatment of Pensions on Divorce' (Second Edition) published in January 2024 provided guidance for these calculations.

Essentially the benefits provided by a pension scheme are an income stream payable for lifetime. In order to convert this to a capital figure several factors need to be considered and suitable assumptions made.

Capital Offset are carried out in two different scenarios – **Full Offset** – this is 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.

The second method is **Partial Offset** – this is the capital that would be required by the party who would receive the Pension Credit (as detailed earlier in this report), in order to provide them with the benefits that would be available from the Pension Credit.

The capital transfer for the Full Offset amount is assumed to be transferred from one party to the other before sharing non-pension assets whilst the Partial Offset amount is assumed to be transferred after sharing the non-pension assets.

This report uses the Partial Offset method. We use two different methods of calculation, these are dependent on the nature of the pension credit benefits.

Defined Contribution Pension Credit – this is where benefits are received into a defined contribution arrangement. The offset value will take account of the availability of a Pension Commencement Lump Sum at retirement and assume that the balance of the pension is subject to basic rate income tax.

Defined Benefit Internal Pension Share – this is where benefits are retained within a defined benefit pension scheme. The offset in this instance seeks to calculate a current value of the net benefits payable from the scheme normal pension age – that is the pension age that the benefits can be accessed without being subject to any enhancements of reductions for early or late retirement (these adjustments may have been assumed within the analysis depending on the retirement ages assessed). This method calculates the capital that would be required now assuming that this is invested through to retirement and at that time is used to purchase a contract that provides a guaranteed income for the lifetime of the recipient. This seeks to mirror the benefits that would be available from the pension credit. This approach is comparable to the Replacement Value calculation described in 'Fair Value & Replacement Value of These Pension Benefits', albeit reflecting the pension credit.

Our approach would be comparable to 7.24i of the methodology set out in the report by the Pension Advisory Group.

Assumptions for life expectancy, investment returns, charges and inflation are detailed within section 2 of this report. For the purpose of this calculation, I have assumed a low medium risk profile is adopted.
The capital offset figure is the amount of capital that would need to be passed from Mr Benn to Mrs 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 had been implemented.

Capital Offset Solutions:

Equalisation Method	Scheme/Insurer	Pension Credit Type	Pension Share %	Gross Income pa	Net Income pa	PCLS	Capital Offset
Income at age 60	Defined Benefit H1	Defined Benefit Internal Share	**xx.xx%**				
Income at State Pension Age			**xx.xx%**				
Fair Value			**xx.xx%**				

Formula for calculating an alternative offset value:

Scheme / Insurer	Capital Offset For Each 1% PSO	PSO Reduction For Each £10,000 Capital Offset

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10. ADDITIONAL COMMENTS / STATEMENT OF TRUTH

This report has been prepared by..

Statement of Truth

I, .. , 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

Click or tap to enter a date.

11. APPENDICES

11.1. PENSION SCHEME / PENSION PLAN INFORMATION / PENSION SHARING INFORMATION

You will find here additional information for each pension that has been assessed within this report. Where appropriate the relevant data has been used within our assessment and calculation.

Mr W Benn

Defined Benefit Pension Scheme H1		Reference Number	
Scheme Type:	Defined Benefit H1	**Member Type:**	Deferred
Normal Retirement Age (NRA):	60	**Earliest Retirement Date:**	55
PSO Sharing Method:	Internal Only	**PSO Implementation Fee:**	£x plus VAT
Date of Joining Scheme:		**Date of Leaving Scheme:**	
PSO – further details			
Deferred increases:			
Increases in payment:			
Comments on Benefit Accrual Period:			
Apportionment Method for Relationship Accrual:			
Scheme Specifics:			
Actuarial factors:			
Comment on data provided:			
Source of data:			

Mrs B Benn

Defined Contribution Pension W3		Reference Number	
Scheme Type:	Defined Contribution	Plan Status:	Paid Up
Normal Retirement Age (NRA):	Anytime from age 55	Earliest Retirement Date:	55
PSO Sharing Method:	External Only	PSO Implementation Fee:	N/A
Start Date for Contributions:		End Date for Contributions:	
PSO – further details			
Comments on Contribution Payment Period:			
CEV used for Relationship Period Outcome(s)			
Plan Specifics:			
Source of data:	[		

PENSION SHARING BENEFITS

Defined Benefit Pension Scheme W4		Reference Number	
Pension Credit Type:	Defined Benefit	CEV Used for Pension Credit	Deferred
Normal Retirement Age:	60	Pension Credit Member Age at CEV Date (Used for Pension Credit calculations):	55
PSO Sharing Method:	Internal Only	PSO Implementation Fee:	£xx plus VAT
Pension Commencement Lump Sum			
Spouses Pension			
Deferred Increases			
Increases in Payment			
Early / Late Retirement			
Deat Before retirement			
PSO – Further details			
Actuarial Factors			

11.2. REFERENCE MATERIAL USED

	Source of Information	Date Provided	Item
1.	ABC Solicitors	2nd November 2024	Letter of Instruction
2.	B&W Pension Scheme	10th November 2024	Mr W Benn's Pension Information
3.	Xx Pension Scheme	10th December 2024	Mrs B Benn's Pension information

11.3. IMPORTANT INFORMATION RELATING TO OUR ASSUMPTIONS & CALCULATIONS

11.3.1. Pension Sharing Order(s) (PSO) is assumed to be effective immediately and is based on the cash equivalent values provided within the report.
11.3.2. The cash equivalent values will be as at the date of implementation.
11.3.3. Different pensions can and do increase in different ways, both in deferment and when in payment. Where this occurs, it is often not appropriate to make a face value comparison. Some pension increases are linked to RPI and some CPI. Where there are different increase rates we will look to convert all to the most common in order to make as realistic a comparison as possible.
11.3.4. Annuities are assumed to be purchased with defined contribution benefits and also the benefits awarded through a Pension Sharing Order that are subject to an external share. We believe that the protection provided to defined benefit schemes in payment is best matched by annuity purchase.
11.3.5. Our starting point is to assume annuities are to be single life, 5-year guarantee period, escalating by RPI in payment with figures taken from **www.assureweb.co.uk** annuity comparison service. Where the dominant pension increase method is linked to CPI, we make an adjustment to our annuity rate assumption to accommodate this. Our adjustment is such that the present value of the CPI and RPI linked pensions are broadly equal.
11.3.6. For offsetting calculations using secured income it is assumed that an appropriate guaranteed income solution is available at the appropriate retirement age.
11.3.7. Our offsetting calculations assume that the benefits awarded by way of a Pension Sharing Order are taxed at the basic rate of income tax, assumed to be 20%.
11.3.8. At retirement there may be an entitlement to a Pension Commencement Lump Sum (PCLS) payment. Unless explicitly stated all calculations assume a full pension is payable, without a PCLS.
11.3.9. A defined benefit pension scheme will have a scheme specific normal retirement age. Where retirement calculations are to a retirement age that differs to the scheme specific age, we will look to apply any appropriate early or late retirement adjustment based upon factors supplied by the scheme, if we are able to obtain them. In the rare circumstance where a scheme won't provide this information (this can be the case for some private sector schemes) we will calculate our own adjustment using the assumptions described in Section 3.
11.3.10. The Pension Scheme(s) that are subject to Pension Sharing Orders will recalculate the Cash Equivalent Value(s) once all of their requirements are met. They will then calculate the benefits to be awarded or the value to be transferred to the chosen pension should an external PSO be implemented.
11.3.11. Where benefits continue to accrue through continued funding of the pension schemes it is assumed that contributions have ceased / benefits have ceased to accrue from the date of the valuation, unless stated otherwise.
11.3.12. In order to equalise the real value of benefits in retirement an adjustment has been made to allow for the impact of inflation between the two retirement dates.
11.3.13. To compare benefits on an equal basis where there is an automatic right to a Pension Commencement Lump Sum, we have made an assumption that both parties take the same amount as a lump sum i.e. an appropriate amount of pension is commuted for a lump sum to match that paid as an automatic lump sum.
11.3.14. Pension Sharing Orders have been calculated in a way that maximises the benefits payable to parties in retirement. There may be other methods of providing equality, but we believe these methods will produce lower incomes than the solutions given in this report.
11.3.15. Actuarial factors do change from time to time and may therefore differ when a Pension Sharing Order is implemented. The figures in our Report are based on

our understanding of actuarial factors that apply at the date of our Report.

11.3.16. Our Pension Sharing Orders assume that implementation costs are met separately and not out of pension benefits. Additional charges may be incurred where either party seeks independent financial advice.

11.3.17. Pension Sharing Charges do change and the figures quoted in our report are based on our understanding of the current charges as provided to us by the provider(s).

11.3.18. The outcomes shown in our Report are sensitive to the underlying assumptions used. A different set of outcomes could be obtained using a different set of assumptions.

Pre Equalisation Income Assumptions

We understand that the ___ scheme has a normal retirement age of __ and does not offer late retirement enhancements.

Therefore, for outcomes that achieve equality of income at age __, we have assumed that all ___ scheme benefits come into payment at normal retirement age and all pension payments, net of tax, received prior to the equalisation age will be used to purchase an annuity at the equalisation age. This is also applicable to any pension credits awarded from the scheme.

This approach takes into account the possibility of an income gap (where one party receives an income prior to the other) as it allows for pension payments received before equality age to be considered within our analysis.

11.4. CAVEATS

11.4.1. The pension benefits shown in each of the outcome tables, as being payable in retirement, are our best estimate at the date of this Report. These estimated benefits are **not** guaranteed and are used to calculate the appropriate PSO(s). It should be noted that in practice, the amount of actual benefits receivable by both parties both before and after anypension share is likely to be different.

11.4.2. The assumptions that we have made in this Report may not materialise. If this is the case, the calculations shown within this Report may also prove to be inaccurate, for which we accept no liability nor accept responsibility should this transpire.

11.4.3. Our calculations are based upon the CEVs being correct as at the date they have been supplied and remaining so as at the date that any Pension Sharing Order is implemented (we assume that an Order is implemented within six months of the date of this Report). However, it is important to highlight what is commonly referred to as “moving target syndrome”. CEVs of defined benefit schemes are only guaranteed for three months, and the fund values of defined contribution arrangements change daily. The longer the time period between the CEV date and the implementation date the greater the possibility of differences arising in CEVs. Therefore, both parties may wish to consider having the calculations in this Report updated using new CEVs just prior to the final Order being agreed and calculated and sealed by the Court.

11.4.4. Where PSOs are made over pension benefits that are not yet in payment at the date of this Report, it is noted that the holder of these pension benefits may be able to access these (subject to any scheme or HMRC requirements). Ifany such pensions are put into payment, the calculations and conclusions reached within this Report are rendered void and obsolete, unless it is specifically stated otherwise.

11.4.5. The majority of defined benefit pension schemes were contracted-out of the State Earnings-Related Pension Scheme (SERPS, later S2P). This means scheme members have an entitlement to receive a Guaranteed Minimum Pension (GMP). In these situations, it can be very difficult to obtain precise and correct information from scheme administrators about how GMP amounts increase and interact with other pension elements. Where this arises we may need to make certain assumptions. Our experience suggests that making such assumptions generally has little material impact on the outcomes in a report.

11.4.6. Our calculations take account only of pension benefits accrued to date—unless otherwise specified. There is no allowance for any pension benefits that may accumulate after the date of this Report. Where this Report includes pension benefits in respect of active members of defined benefit pension schemes, these are shown on a “leaving service basis” This means that both the pension debit and pension remaining after the debit has been applied are assumed to increase at the rate of revaluation of deferred benefits, regardless of whether salary increases are at a different rate

11.4.7. We are not authorised by the FCA (Financial Conduct Authority) for provision of financial advice. Therefore, nothing contained within this Report can or should be interpreted as being financial advice. Both parties may wish to take advice from a suitably qualified Financial 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.

11.4.8. We are reliant on the information provided to us as being complete and accurate. If any of this information is incorrect or missing, then the outcomes shown in this Report could change materially.

11.5. PUBLIC SECTOR PENSIONS – THE McCLOUD REMEDY

The McCloud remedy removes the age discrimination that was judged to have arisen in public sector pension schemes. The discrimination resulted from allowing older members to remain in their legacy scheme rather than being moved to the new scheme when it was introduced.

Members are affected if they joined a public service pension scheme on or before 31 March 2012 and:

- had pensionable service between 1 April 2015 (1st April 2014 for Local Government Pension Scheme) and the 31 March 2022 (or their retirement date if earlier), or they left service after 31 March 2012 but returned within 5 years
- the pensionable service was in a legacy scheme, or pensionable service was in the current scheme, but would have been pensionable service in the legacy scheme but for the discrimination
- did not choose to give up your transitional protection to move to the 2015 Scheme (option to give up protection – OTGUP)

From the 1st October 2023 members who moved to a new scheme during the remedy period were put back into the relevant old scheme for their pensionable service during the remedy period and all affected members will be offered a choice of whether to receive old scheme benefits or new scheme benefits, both of which are payable from the old scheme.

Public Sector Schemes are now issuing Cash Equivalent Values (CEVs) for the purposes of divorce that factor in any relevant member remedy and they will prepare a statement on the basis of the higher valued benefits.

If a member statement does not take into account any impact of the remedy, then we will continue to work on a case by case basis, taking a pragmatic approach and taking into account the particular aspects of each case in order to decide if we can proceed.

11.6. IMPLEMENTATION PROCESS FOR A PENSION SHARING ORDER

If a Pension Sharing Order is agreed this will then need to be implemented in order for the pension assets to be transferred. This section is included as an aide memoire.

For a Pension Sharing Order to be implemented the scheme trustees will require (as a minimum) the following items: -

i. Decree Absolute
ii. Pension Sharing Annex – Form P1
iii. Payment of pension sharing fees (if applicable)
iv. Details as to where the Pension Sharing funds are to be transferred to

Once the scheme is in possession of its requirements the ‘implementation period’ will begin. This is a period in which the Pension Sharing Order should be discharged, this is a maximum period of 4 months from the later of the day the order takes effect or when the pension scheme receives all of the documentation and information it requires to discharge the order.

The scheme will recalculate the benefits that are to be awarded by the PSO. This will be calculated at the ‘valuation day’ with reference to benefits that have accrued within the scheme at the date that the order takes effect, the ‘transfer day’.

The ‘valuation day’ is a day selected by the scheme within the implementation period.

The ‘transfer day’ is the day that the former spouse becomes legally entitled to the pension credit. This will be the later of: -

a. 28 days after the PSO has been issued
b. The date of the Decree Absolute / Final Dissolution Order / Dissolution of Civil partnership Order
c. Where an appeal has been lodged, the effective date of the order determining that appeal.

Where benefits continue to be accrued the benefits at ‘transfer day’ will include all benefits accrued to that date (depending on how long has passed since this report was produced this will have a varying effect on the benefits awarded through the Pension Sharing Order.)

Once the valuation at the ‘valuation day ‘has been carried out the members benefits will be subject to a reduction through a pension debit and the former spouse’s benefits will be transferred into the selected receiving scheme for an external share/ established within the scheme for an internal share.

If benefits are in payment between ‘transfer day’ and ‘valuation day’ the scheme will reclaim the benefits that have been paid out in excess of those the member is entitled to.

Until the ‘transfer day’ the whole of the benefit within the scheme subject to the Pension Sharing Order remains the property of the member.

11.7. SUMMARY OF OPTIONS AVAILABLE ON DIVORCE WITH REGARDS TO PENSIONS

Types of Pension Schemes

Defined Benefit - a scheme which promises to provide a specified level of income at retirement. These may be **Final Salary** schemes where the income is calculated with reference to pensionable pay either at the date of leaving the scheme or at retirement (whichever is sooner) or **CARE** schemes (Career Average Revalued earnings) where benefits are calculated each year and revalued to retirement.

Defined Contribution – a scheme where the benefits available will be dependent on the value of the fund at retirement. At retirement the member will have the option of purchasing a guaranteed income for lifetime (Annuity) a flexible income (Drawdown). Some defined contribution schemes may have special provisions (such as guaranteed annuity rates).

Attachment Order / Earmarking

A pension attachment or earmarking order redirect's part or all of the member's pension benefits to the ex-spouse or civil partner when it comes to be paid.

This doesn't provide a clean break, as an ongoing link with your ex-spouse or civil partner will remain.

How does it work?

Pension attachment/earmarking allows the courts to make an order stating that part, or all, of the member's pension benefits (excluding state pension benefits) must be paid to their ex-partner when they become payable.

The pension still belongs to the scheme member, but the scheme must make some form of payment to the ex-partner when the member's benefits become payable.

The court can order that the ex-partner receives one, or a combination, of the following benefits:

- all or part of the member's pension income (this doesn't apply in Scotland)
- all or part of the member's tax-free cash sum
- all or part of any lump sum paid in when the member dies.

Taxable income payable to an ex-partner still belongs to the member, so will be taxed as if it's being paid to the member.

Payments won't count as taxable income for the ex-partner and shouldn't need to be declared as income for tax purposes to HMRC.

Pros and cons

Pros

- It allows for both the tax-free cash benefit and the pension income benefit to be earmarked.
- Death-in-service benefits can also be earmarked.
- If the member transfers pension rights, the earmarking order will follow the member's rights to the new arrangement.
- The ex-partner will have some provision in retirement.

Cons

- It doesn't allow a clean break between the couple, and the couple might need to keep in touch for many years after the divorce/dissolution.
- There's uncertainty about the eventual payment of the benefits. If the scheme member dies before retiring, or if the ex-partner marries or forms a civil partnership, any earmarking/attachment order (other than for lump sum death benefits) usually falls away.
- The earmarked payments don't start being paid until the member retires. And there's no particular date they have to start taking income. If the ex-partner is older than the member or if the member delays their retirement, this might have financial implications for the ex-partner.
- The payments stop on the member's death, leaving the ex-partner without that income for the last years of their life.

Pension Sharing Orders

Pension sharing is one of the options available on divorce or the dissolution of a civil partnership. It provides a clean break between parties as the pension assets are split immediately. This means that each party can decide what to do with their share independently

How does it work?

The Court will issue a pension sharing order (PSO) which states how much of the pension, the ex-spouse or partner is entitled to receive.

The amount is expressed as a percentage of the cash equivalent value(s) of the pension(s) that are to be split.

For example, if the value of the pension was £100,000, a 50% share would give each person £50,000 each.

Defined Benefit arrangements may offer two types of shares: -

Internal – where the ex-spouse has benefits established within the same scheme that the share is coming from.

External – where the ex-spouse will transfer the value awarded by a Pension Sharing Order into a pension in their own name – this will be a defined contribution arrangement.

Defined Contribution schemes will typically only offer an external share.

Each final transfer value is worked out the day before the pension sharing order comes into effect.

Pros and cons of pension sharing

Pros

- It achieves a clean break.
- It can help to make sure both parties have pension provision in retirement.
- Remarriage, death, or other change in circumstances will not affect the order.

Cons

- There'll usually be a fee to pay to the provider to make the split.
- It might be difficult to split some pensions.
- There may be additional complications with tax and the Lifetime Allowance.

Offsetting

When divorcing or dissolving your civil partnership, all your assets and those of your ex-partner are taken into account.

If you decide to opt for pension offsetting, each party keeps their pension assets. But these are then offset against the other assets – for example, if one person has a large pension pot, the other might get the house (assuming it has a similar value).

Pros and Cons

Pros

- It keeps things simple.
- One party might need to use other assets (for example, a home). It can be hard to value some assets as their values might change at different rates.
- If the pension is small, making a pension sharing order could be expensive and might not be cost-effective. It can be difficult in some situations to divide assets fairly using pension offsetting, especially as the value of a person's pension schemes might, in the long run, be their most valuable asset.
- Offsetting is not affected by remarriage or death.
- This might be a good option if there are overseas pension assets that need to be split, as these cannot be shared via a UK court order.

Cons

- One person might be left with little or no provision for retirement.
- It can be hard to value some assets as their values might change at different rates.
- It can be difficult in some situations to divide assets fairly using pension offsetting, especially as the value of a person's pension schemes might, in the long run, be their most valuable asset.

12. CURRICULUM VITAE