

To: DOENI & LGPS Practitioners in NI

Subject: Pensions & Divorce

**Clarification on application of GAD guidance on sharing and pension credit calculations**

This circular is to confirm that, notwithstanding the effects of the April 2009 and earlier scheme changes and the introduction of new club and cash equivalent transfer factors from October 2008, the methodologies described in GAD's 29 November 2000 and 26 January 2001 guidance on pension sharing calculations and on pension credit calculations continue to apply subject to some minor amendments and clarifications.

However, the factors to use in such calculations have been updated following the October changes to the Club/CETV factors. Although there is no change in the underlying principles as to which sections of the factor tables should be used for which purposes, for the avoidance of any doubt, this is clarified below. Note that references to mixed pension/lump sum AMC factors are to those set out in Table 5.1 of the latest version – currently 1.1 - of the Northern Ireland transfer factor suite dated 20 November 2008, whilst references to pension-only AMC factors are to those set out in Table 5.2 of the latest version – currently 1.2 – of the England & Wales transfer factor suite dated 18 November 2008.

- 1) divorce sharing calculation for active or deferred members below the earlier of their CRA/NPA (and where no benefit has come into payment to the member on the Transfer Day): use the Club/Outward CETV and AMC tables (latest version currently 1.1 dated 20 November 2008) as they would be used in a standard outward **non-Club** CETV calculation;
- 2) divorce sharing calculation for active or deferred members who have attained or are above the earlier of their CRA/NPA (and where no benefit has come into payment to the member on the Transfer Day): use the Pensioner Divorce tables (version dated 24 November 2008) and AMC tables set out therein, except that any retirement grant due should be included at its face value, that is using a factor of 1.00 and not subject to any AMC;
- 3) divorce sharing calculation for pensioner members (that is where benefits are already in payment to the member on the Transfer Day): use the Pensioner Divorce tables and AMC tables set out therein (version dated 24 November 2008);
- 4) pension credit calculation for ex-spouse below age 65: use the NPA60 Club tables as they would be used in a standard inward **Club** calculation for somebody with pension age 65 (following the latest version – currently 1.1 - of the tables and instructions dated 20 November 2008, with the exception that a pension-only AMC factor is used in type b) cases below), using the gender and age of the ex-spouse (that is the pension credit member):
  - a) where no right to any retirement lump sum (whether a retirement grant or by means of commutation) has previously crystallised, the ex-spouse is entitled to a retirement grant of three times the initial pension on reaching age 65 – therefore this retirement grant should be included in the calculation, and the mixed pension/lump sum AMC factors should be applied to both the pension and retirement grant;
  - b) where a retirement grant has already been paid (or a right to a retirement lump sum by means of commutation has crystallised, even if not taken up), the ex-

spouse is not entitled to a retirement grant - therefore the calculation should exclude any retirement grant and the pension-only AMC factors should be used;

- 5) pension credit calculation for ex-spouse age 65 or above: use the pension factors in the non-III-Health Pensioner Divorce tables (version dated 24 November 2008) using the gender and age of the ex-spouse (that is the pension credit member):
  - a) where no right to any retirement lump sum (whether a retirement grant or by means of commutation) has previously crystallised, the ex-spouse is entitled to an immediate retirement grant of three times the initial pension, and this should be included in the calculation at face value – that is using a factor of 1.00 and with no AMC applied – but in valuing the pension due, the AMC factors included in the Divorce tables should be used;
  - b) where a retirement grant has already been paid (or a right to a retirement lump sum by means of commutation has crystallised, even if not taken up), the ex-spouse is not entitled to a retirement grant, so that the calculation should exclude any retirement grant - the AMC factors included in the Divorce tables should therefore be used.

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