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1 Introduction

- 1.1 The Department for Communities (“DfC”) is required to issue actuarial guidance on the calculation of the pension credit for the former spouse or civil partner (the “pension credit member”) following a divorce proceeding.
- 1.2 The guidance and factors provided in this note have been prepared in this note in light of our advice to DfC dated 30 October 2018 and its instructions following that advice.
- 1.3 This guidance is intended to supersede any advice previously issued, for the purposes of pension credits calculations. In particular, this guidance supersedes: “Local Government Pension Scheme (Northern Ireland): Application of a pension credit to the former spouse or civil partner of the member” dated 19 March 2015 and also those factors revised by the 22 April 2016 addendum.
- 1.4 The remainder of this introduction contains:
- details of the implementation and future review of this guidance,
 - the relevant legislative references, and
 - statements about third party reliance and liability
- 1.5 In the remainder of this note:
- the second section describes the benefits provided to a pension credit member
 - the third section describes the calculation of the pension credit
 - the fourth section provides examples of the calculation of a pension credit
 - Appendix A summarises the assumptions underlying the factors
 - Appendix B sets out the factors
 - Appendix C sets out some important limitations

Implementation and Review

- 1.6 DfC is required to consult GAD before issuing actuarial guidance under the Local Government Pension Scheme Regulations (Northern Ireland) 2014 [Regulation 2(3) of the 2014 Regulations].
- 1.7 As part of this consultation, DfC has asked GAD to recommend actuarial guidance in respect of the regulations detailed below. This document forms GAD’s recommendation for the actuarial guidance required by these regulations.



- 1.8 This note has effect only when this guidance is issued by DfC to the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) in accordance with Regulation 2(3) of the 2014 Regulations, and is subject to the implementation instructions provided at that time.
- 1.9 This guidance applies where the member whose pension rights are being shared had been a member of the 2015 Scheme and the Transfer day is on or after 1 April 2015. Where the member whose pension rights are being shared had not been a member of the 2015 Scheme, or where the Transfer day is before 1 April 2015, the "Local Government Pension Scheme (Northern Ireland) – Application of a pension credit to the former spouse or civil partner of a pre-2015 leaver" guidance applies.
- 1.10 DfC has informed GAD that this guidance and the factors contained within will come into force with effect from 31 July 2019. These factors are consistent with the pensioner cash equivalent factors implemented on 30 October 2018.
- 1.11 This guidance has been written for pension administrators and assumes some knowledge of general pension terminology, and some familiarity with retirement calculations for the Local Government Pension Scheme (Northern Ireland). Any questions concerning the application of the guidance should, in the first instance, be referred to DfC.
- 1.12 In line with best practice and in order to make sure the factors are being used as intended and the instructions are fit for purpose, we suggest that example calculations are sent to GAD for review.
- 1.13 The factors contained in this note will be subject to review periodically. This will depend on external circumstances, for example whenever there is a change in the SCAPE basis; when changes in the actuarial assumptions adopted for other scheme factors take place; or following each future actuarial valuation where mortality and other relevant experience is reviewed or if other credible and material information comes to light.

Relevant legislative references

- 1.14 The Department for Communities ("DfC") is required under the Local Government Pension Scheme Regulations (Northern Ireland) 2014 ("the 2014 Regulations") (SRNI 2014/188), to issue actuarial guidance on the establishment of pension credit accounts for former spouses or civil partners of members in respect of whom the Court makes a pension sharing order [regulation 30 (2)].
- 1.15 Regulation 30(4) of the 2014 Regulations recognises that a pension credit may itself be the subject of a pension sharing order. This guidance also applies for any such "second generation" pension credit.



- 1.16 Regulations 31(10), 31(11) and 31(12) from the 2014 Regulations set out how the pension credit member's benefits can be brought into payment. As set out in Regulation 20 of The Local Government Pension Scheme (Amendment and Transitional Provisions) Regulations (Northern Ireland) 2014 ("the 2014 Scheme Transitional Regulations") (SRNI 2014 / 189), where a member has benefits in both the 2014 scheme and earlier schemes the benefits the pension credit member will be entitled to are wholly under the 2015 scheme.
- 1.17 This guidance is designed to be consistent with the Welfare Reform and Pensions Order (Northern Ireland) 1999 ('the 1999 Order') and associated regulations (principally the Pension Sharing (Implementation and Discharge of Liability) Regulations (Northern Ireland) 2000).

Third party reliance

- 1.18 This guidance has been prepared for the use of DfC and the scheme administrators for the purposes of demonstrating the application of the factors covered by this guidance only. This guidance may be published on DfC and the scheme administrator's website but must not otherwise be reproduced, distributed or communicated in whole or in part to any other person without GAD's prior written permission.
- 1.19 When issued by DfC in accordance with paragraph 1.6 above, this note should be used as the actuarial guidance required under the regulations cited.
- 1.20 Other than DfC and the scheme administrators, no person or third party is entitled to place any reliance on the contents of this guidance, except to any extent explicitly stated herein. GAD has no liability to any person or third party for any action taken or for any failure to act, either in whole or in part, on the basis of this guidance, whether or not GAD has agreed to the disclosure of its advice to the third party.



2 Pension Credit Benefits

- 2.1 Where a pension sharing order is issued by the Court, the former spouse or civil partner is allocated either a percentage (up to 100%) of the member's benefits, or a monetary amount (which can be converted into a percentage by dividing this monetary amount by the cash equivalent value of the member's total benefits). These rights can be discharged by NILGOSC, either by making a transfer payment to another appropriate scheme (as prescribed in the relevant legislation), or by establishing a pension credit within the fund.
- 2.2 The main benefits are as follows:
- 2.2.1 A pension payable for life from the Normal Pension Age (NPA) equal to the State Pension Age of the former spouse or civil partner;
- 2.2.2 The pension can be commenced from an earlier or later age between ages 55 and 75, subject to adjustment for early or late payment in accordance with the appropriate guidance.
- 2.2.3 Part of the pension can be commuted for a cash sum at its commencement so long as the member whose pension rights are being shared had not commuted a part of his or her pension for a cash sum on retirement or on flexible retirement where the date of retirement or flexible retirement was prior to the valuation date used for implementing the pension sharing order.
- 2.2.4 No dependants' pension is payable on the death of a pension credit member.
- 2.2.5 A lump sum on death (whether the date of death is before or after the award of pension credit by NILGOSC), payable to the pension credit member's beneficiaries, in accordance with the 2014 Regulations and based on the annual amount of pension at the time of death.
- 2.2.6 The pension is increased in accordance with the Pensions Increase Act with effect from the day on which the pension sharing order takes effect (the Transfer day).
- 2.3 The general principle is that the pension credit established in the fund is actuarially equivalent to the proportion of the cash equivalent of the member's benefits awarded to the former spouse or civil partner. The benefits from the pension credit are in addition to any benefits the former spouse or civil partner may be entitled to under the LGPS Regulations in his or her own right.
- 2.4 It is assumed that the cash equivalent of a member's benefit for divorce purposes has already been determined in accordance with the latest "Individual Incoming & Outgoing Transfers" or "Pensioner Cash Equivalent Factors on Divorce" guidance as appropriate.
- 2.5 The methodology and instructions described in this note can be applied in respect of the benefits for the former spouse or civil partner of a Councillor member.



2.6 DfC has confirmed that:

2.6.1 State Pension Age for the purpose of calculating initial pension credits should be as set out in the Department of Finance and Personnel (DFP) Directions made in exercise of the powers conferred on them by sections 11(2) and 12(3) of the Public Service Pensions (Northern Ireland) Act 2014¹, and not legislation in force at the transfer day.

2.6.2 State Pension Age for the purpose of calculating the pension credit at retirement should be as set out in legislation in force at the date of retirement. If State Pension Age is different for these two calculations, the initial pension credit should not be recalculated.

¹ The Directions dated 26 November 2014, as originally made, can be found in the following link (SPA assumptions are set out at direction 18(d)):
<http://www.dfpni.gov.uk/psp-valuations-employer-cost-cap-2014.pdf>(as at the date of this guidance, later amending directions have not amended SPA assumptions set out at direction 18)



3 Calculation of the Pension Credit

- 3.1 This section sets out the methodology for calculating the pension credit following the issue of a pension sharing order by the Court.

Appropriate Percentage

- 3.2 For divorces in Northern Ireland, the pension sharing order will specify the percentage of the member's benefits that the former spouse or civil partner will be entitled to (the "appropriate percentage").
- 3.3 The former spouse or civil partner's cash equivalent ("ESCE") is determined by applying the appropriate percentage to the cash equivalent of a member's benefit for divorce purposes (see paragraph 2.5).
- 3.4 If an LGPS member is divorced in a court that specifies a monetary amount, then this amount should be taken as the ESCE.

Calculation

- 3.5 There are two dates which are of relevance when determining the pension credits; the "Transfer day" and the "Valuation date".
- 3.6 Article 26(8) of the 1999 Order defines the Transfer day as the day on which the pension sharing order takes effect. (The Transfer day is sometimes also referred to as the Effective date.)
- 3.7 Article 31(1) of the 1999 Order defines the Implementation period as the four month period that starts on the Transfer day, or if later, on the date the pension scheme has the prescribed information needed to implement the pension sharing order.
- 3.8 Regulation 88 of the Local Government Pension Scheme (Administration) Regulations (Northern Ireland) 2009 defines the Valuation date as the first day of the Implementation period. (The Valuation date is sometimes referred to as the Implementation date or the Calculation date.)
- 3.9 The calculation of the pension credit should be based on the age and NPA of the former spouse or civil partner at the Transfer Day. **Do not use the age or NPA of the member.**



Pension credit calculation for former spouse or civil partner

3.10 The pension credit as at the Transfer day will be:

$$PC_1 = ESCE_1 \div F_P$$

Where:

ESCE₁ the former spouse or civil partner's cash equivalent.

F_P factor for pension for former spouse or civil partner from Table 4.1 (Table 0-311 in the consolidated factors spreadsheet). Where the former spouse or civil partner's NPA is not their birthday, the factor should be obtained by interpolation using the method set out in either paragraph 3.8 or 3.9 below.

Former spouse or civil partner with a NPA of years and whole months

3.11 Where a pension credit member has a NPA that is a whole number of years and months, the factors should be determined using the appropriate factors in the tables in Appendix B using straight line interpolation based on months. For example, to determine the factors applicable to a pension credit member with a normal pension age of 66 years and 2 months, the formula below should be used:

$$F_P(\text{NPA 66 years, 2 months}) = F_P(\text{NPA66}) + [2/12 \times [F_P(\text{NPA67}) - F_P(\text{NPA66})]]$$

Where:

F_P(NPAxx) is the factor applying for a Normal Pension Age of xx

Former spouse or civil partner with an NPA of years and part months

3.12 Some pension credit members will have a State Pension Age that falls on a specified date. This may mean that their NPA is based on years and days rather than years and whole months. In this case, the factors should be determined using the appropriate factors in the tables in Appendix B using straight line interpolation based on days. For example, to determine the factors applicable to a pension credit member with a normal pension age of 67 years and 249 days, the formula below should be used:

$$F_P(\text{NPA 67 years, 249 days}) = F_P(\text{NPA67}) + \{249/365 \times [F_P(\text{NPA68}) - F_P(\text{NPA67})]\}$$

Where:

F_P(NPAxx) is the factor applying for a Normal Pension Age of xx



4 Examples

Both the examples in this section assume that the member whose pension rights are being shared has been a member of the 2015 Scheme.

Example 1: Pension credit calculation for a former spouse under Normal Pension Age

Former spouse data:

Date of birth:	1 March 1975
Transfer day:	1 December 2019
Age last birthday at transfer day:	44
Normal Pension Age:	67
% awarded to spouse:	50%

CETV in respect of Pre 1 April 2009 service:	£195,000
CETV in respect of service between 1 April 2009 and 31 March 2015:	£ 96,000
CETV in respect of Post 1 April 2015 service:	£ 59,000
Total CETV as at transfer day:	£350,000

Factor (F_P)

Former spouse aged 44 at last birthday with NPA 67: 9.88

Calculations

	Calculation	Result
ESCE Pre 2009	50% x £195,000	£97,500
ESCE 2009 – 2015	50% x £96,000	£48,000
ESCE Post 2015	50% x £59,000	£29,500

Pre 2009 pension credit from NPA: $£97,500 \div 9.88 = £9,868.42$ per annum (1)
 2009 to 2015 pension credit from NPA: $£48,000 \div 9.88 = £4,858.30$ per annum (2)
 Post 2015 pension credit from NPA: $£29,500 \div 9.88 = £2,985.83$ per annum (3)

Total pension credit from NPA (1) + (2) + (3) = £17,712.55 per annum



Example 2: Post 2015 member – spouse with a non-integer NPA.

Former spouse data:

Date of birth: 6 May 1977
 State pension date: 6 July 2044
 Transfer day: 1 December 2019
 Age last birthday at transfer day: 42
 Normal Pension Age: 67 years 2 months
 % awarded to spouse: 50%

CETV in respect of Pre 1 April 2009 service: £ 0
 CETV in respect of service between 1 April 2009 and 31 March 2015: £ 45,000
 CETV in respect of Post 1 April 2015 service: £ 66,000
Total CETV as at transfer day: £111,000

Factor (F_P)

Former spouse aged 42 at last birthday with NPA 67: 9.47
 Former spouse aged 42 at last birthday with NPA 68: 8.96

Former spouse aged 42 at last birthday with NPA 67 years 2 months
 = 9.47 + [2 ÷ 12 x (8.96 – 9.47)] = 9.39

Calculations

	Calculation	Result
ESCE Pre 2009	50% x £0	£0
ESCE 2009 – 2015	50% x £45,000	£22,500
ESCE Post 2015	50% x £66,000	£33,000

Pre 2009 pension credit from NPA: £0.00 ÷ 9.39 = £0.00 per annum (1)
 2009 to 2015 pension credit from NPA: £22,500 ÷ 9.39 = £2,396.17 per annum (2)
 Post 2015 pension credit from NPA: £33,000 ÷ 9.39 = £3,514.38 per annum (3)

Total pension credit from NPA (1) + (2) + (3) = £5,910.55 per annum



Appendix A: Assumptions underlying factors

Financial assumptions

Nominal discount rate	4.448% pa
Real discount rate (in excess of CPI)	2.40% pa

Mortality assumptions

	Males	Females
Retirements in normal health	103% of S2PMA	97% of S2PFA
Retirements in ill-health	103% of S2IMA	102% of S2IFA
Dependants	103% of S2PMA	97% of S2PFA

Future mortality improvement	Based on ONS principal UK population projections 2016
Year of Use	2020

Other assumptions

Proportion of female pension credit members for unisex factors	45%
Allowance for commutation	Nil except for mandatory lump sum cases



Appendix B: Factor table

Table 4.1 – Factors applicable to former spouse or civil partner (Table 0-311 in the consolidated factor spreadsheet)

Age	Normal Pension Age of 65	Normal pension age of 66	Normal pension age of 67	Normal pension age of 68
16	6.10	5.80	5.52	5.24
17	6.22	5.92	5.63	5.35
18	6.36	6.05	5.75	5.46
19	6.49	6.17	5.87	5.57
20	6.63	6.30	5.99	5.69
21	6.77	6.44	6.11	5.80
22	6.91	6.57	6.24	5.92
23	7.05	6.71	6.37	6.05
24	7.20	6.85	6.50	6.17
25	7.35	6.99	6.64	6.30
26	7.51	7.14	6.78	6.43
27	7.67	7.29	6.92	6.56
28	7.83	7.44	7.06	6.70
29	7.99	7.60	7.21	6.84
30	8.16	7.76	7.36	6.98
31	8.34	7.92	7.52	7.13
32	8.51	8.09	7.67	7.27
33	8.69	8.26	7.84	7.43
34	8.88	8.43	8.00	7.58
35	9.07	8.61	8.17	7.74
36	9.26	8.79	8.34	7.90
37	9.46	8.98	8.52	8.07
38	9.66	9.17	8.70	8.24
39	9.87	9.37	8.88	8.41
40	10.09	9.57	9.07	8.59
41	10.30	9.78	9.27	8.77
42	10.53	9.99	9.47	8.96
43	10.76	10.21	9.67	9.15
44	11.00	10.43	9.88	9.35
45	11.24	10.66	10.10	9.55
46	11.49	10.89	10.32	9.76
47	11.74	11.13	10.54	9.97
48	12.00	11.38	10.78	10.19
49	12.27	11.63	11.02	10.42
50	12.55	11.89	11.26	10.65
51	12.83	12.16	11.51	10.88
52	13.13	12.44	11.77	11.13
53	13.43	12.72	12.04	11.38
54	13.74	13.02	12.32	11.64
55	14.06	13.32	12.60	11.91



56	14.40	13.64	12.90	12.18
57	14.74	13.96	13.20	12.47
58	15.10	14.30	13.52	12.77
59	15.48	14.65	13.85	13.08
60	15.86	15.01	14.19	13.40
61	16.26	15.39	14.55	13.73
62	16.68	15.79	14.92	14.08
63	17.12	16.20	15.30	14.44
64	17.58	16.63	15.71	14.82
65	17.52	17.08	16.13	15.22
66	16.94	17.01	16.57	15.63
67	16.35	16.42	16.50	16.07
68	15.75	15.82	15.90	15.99
69	15.15	15.21	15.29	15.38
70	14.54	14.60	14.67	14.76
71	13.93	13.99	14.05	14.13
72	13.33	13.37	13.43	13.51
73	12.73	12.76	12.81	12.88
74	12.14	12.16	12.20	12.25
75	11.57	11.57	11.59	11.63
76	11.00	11.00	11.01	11.03
77	10.44	10.44	10.44	10.45
78	9.88	9.88	9.88	9.88
79	9.33	9.33	9.33	9.33
80	8.79	8.79	8.79	8.79
81	8.25	8.25	8.25	8.25
82	7.73	7.73	7.73	7.73
83	7.21	7.21	7.21	7.21
84	6.71	6.71	6.71	6.71
85	6.23	6.23	6.23	6.23
86	5.77	5.77	5.77	5.77
87	5.34	5.34	5.34	5.34
88	4.93	4.93	4.93	4.93
89	4.55	4.55	4.55	4.55
90	4.19	4.19	4.19	4.19
91	3.86	3.86	3.86	3.86
92	3.55	3.55	3.55	3.55
93	3.27	3.27	3.27	3.27
94	3.01	3.01	3.01	3.01
95	2.78	2.78	2.78	2.78

Notes

The factor should reflect the age and gender of the former spouse or civil partner on the Transfer day (not the age and gender of the member).



Appendix C: Limitations

- C.1 This guidance should not be used for any purpose other than those set out in this guidance.
- C.2 The factors contained in this guidance are subject to regular review. Scheme managers and administrators need to ensure that they are using the latest factors, as relevant, when processing cases.
- C.3 Advice provided by GAD must be taken in context and is intended to be considered in its entirety. Individual sections, if considered in isolation, may be misleading, and conclusions reached by a review of some sections on their own may be incorrect. GAD does not accept responsibility for advice that is altered or used selectively. Clarification should be sought if there is any doubt about the intention or scope of advice provided by GAD.
- C.4 This guidance only covers the actuarial principles around the calculation of the pension credit to be awarded to an ex-spouse after a member's pension is subjected to a pension sharing order. Any legal advice in this area should be sought from an appropriately qualified person or source.
- C.5 Scheme managers and administrators should satisfy themselves that pension credit calculations and benefit awards comply with all legislative requirements including, but not limited to, tax and contracting-out requirements.
- C.6 This guidance is based on the Regulations in force at the time of writing. It is possible that future changes to the Regulations might create inconsistencies between this guidance and the Regulations. If users of this guidance believe there to be any such inconsistencies, they should bring this to the attention of DfC and GAD. Under no circumstances should this guidance take precedence over the Regulations. Administrators should ensure that they comply with all relevant Regulations.