Mr & Mrs Divorcee

Actuarial Report on Pensions on Divorce

The Family Court

Case number: 1234-5678-9101-1121

4 August 2026

Report of An Actuary FIA

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EXCALIBUR ACTUARIES

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1. Introduction

1.1 This report has been prepared on the joint instructions of Merlin Solicitors, acting on behalf of their client Mr Divorcee (the husband, H), and of Mrs Divorcee (the wife, W), acting as litigant in person. It is intended for use by the parties and their representatives in the matter of divorce and ancillary relief proceedings. This report is addressed to The Family Court – case number: 1234-5678-9101-1121.

1.2 The purpose of my report is to give my opinion on pension sharing issues as set out in the Court Order dated 23 April 2026 and instruction letter dated 15 June 2026, as discussed in my email of 19 June 2026. I have carried out my calculations as at a date of 20 July 2026.

1.3 The options for settlement of pensions issues are broadly:

- pension sharing
- pension attachment, or
- offset of pension differences by non-pension assets.

Please note pension attachment is rarely appropriate as it is not consistent with the clean-break principle.

1.4 The key issues addressed in this report are:

- A summary of key findings – Section 2.
- A description of the benefits, their Fair Actuarial Value ("FAV", as defined in Appendix B) and cash equivalent ("CE") – Section 3 and Appendix A.
- Calculations and comments on pension sharing for equality of incomes at age 60 and equality of values – Section 4 and Appendix C.
- Calculations and comments on offsetting – Section 5 and Appendix D.

1.5 I am a Fellow of the Institute and Faculty of Actuaries, and an actuary at Excalibur Actuaries Ltd, practising as actuaries and experts in the field of pensions on divorce within England and Wales. I attach a statement of my qualifications, showing that I am qualified and able to provide expert opinions on the issues covered (Appendix E). My declaration that I have complied with the obligations of an Expert is contained in Section 6 of this report.

1.6 This report complies with current professional standards appropriate to technical actuarial work, including TAS 100, and has regard to guidance in the publication "A Guide to the Treatment of Pensions on Divorce – 2nd Edition", which I refer to as "PAG2".

1.7 Any users of this report who are unfamiliar with pensions, and in particular the treatment of pensions on divorce, may wish to read the Survival Guide to Pensions On Divorce.

1.8 A glossary of terms is included as Appendix F.

2. Summary of Key Findings

2.1 **This summary should not be read in isolation and users should consider the entirety of this report**. Prior to agreeing a way forward, the parties should review all the pension information as set out in this report to ensure that it is correct. Any omissions or differences in understanding should be brought to my attention immediately.

2.2 I describe the pensions disclosed to me in Section 3 and Appendix A of this report. The table in paragraph 3.3 shows that, without pension sharing:

- Mr Divorcee's retirement income starting from 60 is projected to be £21,395 a year more than Mrs Divorcee's.
- Mr Divorcee's pensions currently have a total FAV of £367,389 more than Mrs Divorcee's.

Based only on pensions built up during the parties' relationship period R ("R pensions"), as defined in paragraph 3.6, Mr Divorcee's retirement income starting from 60 is projected to be £12,058 a year more than Mrs Divorcee's and his pensions currently have a total FAV of £207,424 more than Mrs Divorcee's.

2.3 I set out in Section 4 my calculations and comments on pension sharing. I calculate that based on all pensions built up to the calculation date of this report ("total pensions") sharing:

- 49.41% of Mr Divorcee's PCSPS pension would equalise projected retirement incomes for the parties from 60, and
- 50.99% of Mr Divorcee's PCSPS pension would equalise pension values.

These results are set out in detail in paragraph 4.2.

2.4 The results of the calculations based on R pensions are summarised in the table below.

Sharing for equality of:	Gap without pension sharing	PSO on H's PCSPS pension	Results shown in paragraph
R Income 60	£12,058	27.84%	4.3
R Value	£207,424	28.79%	4.3

2.5 I set out in Section 5 my calculations and comments on offsetting. I consider £342,000 to be a reasonable offset value based on the difference in the parties' total pensions, which can be settled by either:

- Mrs Divorcee receiving the full offset value if paid from joint assets prior to them being distributed; or
- Mr Divorcee paying half of this amount directly to Mrs Divorcee out of his share of the assets.

Based on the difference in R pensions, I consider £193,000 to be a reasonable offset value.

2.6 Important considerations when implementing the pension sharing order, as set out in Appendix C, are:

- Pension sharing should be implemented without undue delay.
- It is vital that the pension being shared are not put into payment before implementation is complete.
- Separate pension sharing orders are required for sharing the PCSPS and CSOPS pensions. The PSO should be worded carefully to ensure it refers specifically to the PCSPS pension only.
- A draft PSO should be provided to the scheme administrator for review before it is finalised, as is best practice and recommended by PAG2.

2.7 Obtaining independent financial advice

The analysis in this report assists the Court and the parties only with the actuarial aspects of dealing with pensions on divorce. It does not constitute, and must not be relied upon as, advice to either party on their investments, tax position or wider retirement planning.

Where a pension sharing order is made – particularly where a pension credit is to be established in an external arrangement – the receiving party will usually face regulated financial decisions, including the choice of receiving scheme. To ensure they are properly advised, the parties should consider taking advice from an FCA-regulated adviser experienced in pension sharing on divorce, before any external pension credit is implemented.

There are a number of IFAs that specialise in divorce, including Enkindle Financial Planning (www.enkindlefp.co.uk). Please note that Enkindle Financial Planning is an associate company of Excalibur Actuaries. Neither I, nor Excalibur Actuaries Limited, receives any commission or other payment in connection with a referral to Enkindle, and this connection has no bearing on the analysis or conclusions in this report. The parties remain entirely free to instruct any appropriately qualified FCA-regulated adviser of their choosing; a directory is available at www.unbiased.co.uk.

3. Information and Analysis of the Pension Benefits

3.1 I have been informed in my instructions that Mr Divorcee was born on 1 February 1972, and is therefore 54 years and 5 months old, and that Mrs Divorcee was born on 3 April 1973, and is therefore 53 years and 3 months old, at the calculation date of this report. I treat both parties as having normal life expectancy.

3.2 I set out a description and analysis in Appendix A of the only pensions I have been informed about, including state pensions. I cannot provide any calculations or advice in connection with any other pension benefits of the parties.

3.3 For each of the parties' pensions, I summarise in the table below the type of benefit (defined-benefit ("DB"), defined-contribution ("DC") or "Other"), projected yearly retirement income from 60, FAV and estimated current CE, based on total pensions.

Pension Summary	**Type**	**Pension 60**	**FAV**	**CE**
Husband's pensions				
PCSPS	DB	£20,840	£351,886	£409,039
CSOPS	DB	£3,145	£51,928	£62,024
Aviva	DC	£213	£3,632	£3,632
State	DB	£6,772	£115,411	-
Total		**£30,971**	**£522,857**	**£474,694**
Wife's pensions				
TPS	DB	£2,183	£33,981	£43,542
Aegon	DC	£80	£1,315	£1,315
Scottish Widows	DC	£24	£386	£386
State	DB	£7,289	£119,785	-
Total		**£9,576**	**£155,468**	**£45,244**
Gap if no sharing		£21,395	£367,389	£429,450

Please note that:

- The total pensions shown above are the pensions the parties have built up to the calculation date of this report.
- The pensions are shown before tax and in today's money terms, with provision for CPI inflation increases in payment.
- Mr Divorcee's PCSPS pension includes the income equivalent of his automatic lump sum.
- State pensions, payable from state pension age ("SPA", currently 67 for both parties), have been reduced to lower retirement incomes of equivalent actuarial value, spread over retirement from 60 in the "Pension 60" column.

3.4 The CEs of the public-sector PCSPS, CSOPS and TPS pensions are higher than FAV, although this does not impact pension sharing because those pensions are shared internally, based on actuarial equivalence. The CEs of the Aviva, Aegon and Scottish Widows DC pensions are, by definition, equal to FAV. State pensions do not have CEs.

3.5 The parties should note that the above CEs are estimates. Many CEs are subject to changes in market conditions which cannot be predicted and can exhibit substantial short-term volatility. However, I would not expect this to impact the CEs of the public-sector pensions in the short term.

3.6 I have also been instructed to consider only R pensions – pensions built up from the parties' marriage on 25 December 2000 up to their separation on 25 December 2025. I show my estimate of the pensions built up within the relationship period in Appendix A4.

3.7 The parties would be eligible to put their pensions into payment from any age on or after the statutory Normal Minimum Pension Age (NMPA), but the pensions would likely be smaller the earlier they are taken. The NMPA is 55 currently but will increase to 57 from 6 April 2028. This may differ if any of the parties' pensions have a Protected Pension Age – should either of the parties be considering retiring prior to the NMPA, the parties should approach either the pension administrator or an IFA for advice.

4. Pension Sharing Analysis and Calculations

4.1 The application of Pension Sharing Orders ("PSO") where available and the nature of the resulting pension credits is described in Appendix C.

It is usually financially advantageous for both parties to share the pensions that result in their highest projected retirement incomes after sharing. In this case, I report on the basis of sharing the PCSPS pension only, after taking account of the following considerations:

- Sharing either the PCSPS pension or the CSOPS pension would achieve a similar financial outcome for the parties.
- Sharing the PCSPS pension only would avoid the issue of any sharing also affecting the CSOPS pension accrual after the calculation date of this report up to when the PSO is implemented.

I understand that state pensions are not capable of being shared under UK pension sharing legislation.

I allow for the PSO to be implemented before 1 February 2027, while Mr Divorcee's age is 54 and Mrs Divorcee's age is 53 – my calculations may need to be updated if this is not the case.

The above is based on my analysis of the parties' pensions and their projected retirement incomes after sharing (using my FAV assumptions). Other wider factors may be relevant to the parties when choosing which sharing options best suit their needs.

4.2 Pension sharing based on total pensions

I calculate that sharing 49.41% of Mr Divorcee's PCSPS pension would equalise retirement incomes for the parties starting from 60 based on total pensions, which changes to sharing 50.99% to equalise pension values (which I interpret as equality of FAV).

I illustrate the parties' projected retirement incomes after sharing in the table below.

Sharing for equality of:	Income	Value
	Pension 60	Pension 60
PSO on PCSPS	49.41%	50.99%
Husband's total pensions		
PCSPS	£20,840	£20,840
CSOPS	£3,145	£3,145
Aviva	£213	£213
State	£6,772	£6,772
Sharing PCSPS	-£10,296	-£10,627
Total income H	**£20,675**	**£20,343**
Wife's total pensions		
TPS	£2,183	£2,183
Aegon	£80	£80
Scottish Widows	£24	£24
State	£7,289	£7,289
Sharing PCSPS	£11,098	£11,455
Total income W	**£20,675**	**£21,032**
Pre/post-SPA pensions		
Total pre-SPA H	£13,903	£13,571
Total post-SPA H	£24,652	£23,558
Total pre-SPA W	£13,385	£13,742
Total post-SPA W	£24,135	£24,492

Please note that:

- The PCSPS pension debit and credit include the income equivalent of the automatic retirement lump sum.
- The table shows the total retirement incomes based on the state pension equivalents (as discussed above) as well as the parties' lower actual retirement incomes from retirement up to SPA, and their higher actual retirement incomes after SPA for the rest of their retirement.

4.3 Pension sharing for equality of based on R pensions

I calculate that sharing 27.84% of Mr Divorcee's PCSPS pension would equalise retirement incomes for the parties starting from 60 based on R pensions, which changes to sharing 28.79% to equalise pension values.

I illustrate the parties' projected retirement incomes after sharing in the table below.

Sharing for equality of:	R Income Pension 60	R Value Pension 60
PSO on PCSPS	27.84%	28.79%
Husband's total pensions		
PCSPS	£11,625	£11,625
CSOPS	£2,988	£2,988
Aviva	£0	£0
State	£3,108	£3,108
Sharing PCSPS	-£5,803	-£6,000
Total income H	**£11,918**	**£11,721**
Wife's total pensions		
TPS	£2,183	£2,183
Aegon	£37	£37
Scottish Widows	£24	£24
State	£3,419	£3,419
Sharing PCSPS	£6,255	£6,468
Total income W	**£11,918**	**£12,131**
Pensions including accrual outside of R:		
Total income H	**£25,168**	**£24,971**
Total income W	**£15,831**	**£16,044**
Pre/post-SPA pensions		
Total pre-SPA H	£18,396	£18,199
Total post-SPA H	£29,145	£28,948
Total pre-SPA W	£8,542	£8,755
Total post-SPA W	£19,291	£19,504

Please see notes in paragraph 4.2. In addition, except where indicated, the parties will receive their pensions built up outside of the relationship periods in addition to the retirement incomes shown above.

4.4 The sharing required for equality of incomes is lower than that required for equality of values. This is because Mrs Divorcee is over a year younger than Mr Divorcee, so her pensions will come into payment later than his, have longer for investment growth before retirement and therefore have a lower value now than his for each £1 a year of pension. I comment that it is not an actuarial matter whether sharing for equality of incomes or equality of values is more appropriate for the parties, but rather a matter for the parties to agree or the court to determine.

4.5 The results of my calculations are not particularly sensitive to my actuarial methods and FAV assumptions (e.g. the interest rate before retirement) because the sharing is carried out internally on the basis of actuarial equivalence using the scheme's own factors and the largest pensions are DB in nature which receive increases in line with CPI inflation.

4.6 If applicable, any administration charges for pension sharing should be split appropriately between the parties.

4.7 Pension sharing on divorce can raise complex financial questions for the parties, who may wish to take independent financial advice from a specialist in divorce matters. (Please see my note on obtaining independent financial advice in Section 2.)

5. Offsetting

5.1 I have been asked to consider the option of dealing with the different pensions of the parties by offset rather than by pension sharing. I start by considering Mr Divorcee's higher retirement income from 60, which in paragraph 3.3 above is projected to be £21,395 a year more than Mrs Divorcee's, based on total pensions.

5.2 I set out a discussion of some of the issues involved in this in Appendix D, including alternative approaches. I consider **£342,000** to be a reasonable offset value in this matter in lieu of pension sharing, which can be settled by either:

- Mrs Divorcee receiving the full offset value if paid from joint assets prior to them being distributed; or
- Mr Divorcee paying half of this amount directly to Mrs Divorcee out of his share of the assets.

5.3 The above value would offset the whole pension gap based on total pensions. The offset value based on R pensions is £193,000.

5.4 It is possible that the parties would wish to consider a combination of offsetting and pension sharing ("partial offsetting"). In this case, for each £10,000 paid to Mrs Divorcee from joint assets (or, equally, £5,000 from Mr Divorcee's share of the assets), the percentage specified in the PSO on Mr Divorcee's PCSPS pension should be reduced by 1.44%.

5.5 Please note that the offset values allow for adjustments due to tax but no allowance has been made for "utility" (see Appendix D). Consideration of utility is not an actuarial matter, rather an issue for the parties to agree or the court to decide.

5.6 **As set out in Section 7 of PAG2, offsetting can often lead to unfair outcomes**. If the parties wish to provide equality of retirement incomes or values, then pension sharing would normally be the most effective way of achieving that. Offsetting is appropriate if the parties prefer that to sharing, for example if Mrs Divorcee prefers immediate non-pension assets to assets within a pension arrangement.

6. Variations, Uncertainties and Declarations

6.1 I have highlighted in this report including the Appendices the difference between my assumptions and other possible assumptions. The actual pensions payable will depend on many factors such as inflation and investment returns. My calculations have been made, as described, on what are in my opinion appropriate methods and assumptions.

6.2 There is timing uncertainty, since pension sharing will be calculated by the scheme administrator based on a re-calculation of the CE at the time the order is implemented, which may well be different from the values at the calculation date of this report – but I am unable to predict this and have based my calculations on reasonable estimates as described. There are also some uncertainties in the information, with some estimates and assumptions having been made as set out in the report and appendices.

6.3 I hereby confirm that:

a. I self-certify that I believe I have the competencies set out in Appendix D of PAG2 relevant to the circumstances of this case.
b. I am aware that my duty as an Expert is as set out in Practice Direction 25B of the Family Procedure Rules 2010, and is to provide independent assistance to the court by way of objective, unbiased opinion in relation to matters within my expertise and that my evidence, as an Expert, presented to the Court must be, and must be seen to be, independently produced by myself, uninfluenced by the instructing parties.
c. I have complied with my duty noted in b above.
d. I have considered whether there are any conflicts of interest in giving the opinions expressed in this report, and I declare that I do not believe that there are any such conflicts.
e. I confirm that I have made clear which facts and matters referred to in this report are within my own knowledge and which are not. Those that are within my knowledge, I confirm to be true. The opinions I have expressed represent my true and complete professional opinions on the matters to which they refer.
f. I understand that proceedings for contempt of court may be brought against anyone who makes, or causes to be made, a false statement in a document verified by a statement of truth without an honest belief in its truth.
g. I have not, without forming an independent view, included or excluded anything which has been suggested to me by others – in particular by my instructing parties.
h. I will notify my instructing parties immediately if, for any reason, my report requires correction or qualification.
i. I have not entered into any arrangement where either the amount or payment of my fees is in any way dependent on the outcome of the case.

Yours faithfully

An Actuary FIA

Appendix A – Pension Benefits

All pensions, unless otherwise specified, are before tax, expressed in today's money terms, in other words stripping out the effect of future CPI inflation, and where appropriate are adjusted to the actuarial equivalent of a retirement income with CPI inflation increases in payment.

A1 Mr Divorcee

PCSPS

Mr Divorcee has a DB pension preserved in the Classic Section of the Principal Civil Service Pension Scheme (PCSPS), relating to 25 years and 209 days of pensionable service up to 31 March 2015 (when he was moved into the CSOPS – see below) together with his "remediable service" under the McCloud Remedy between 1 April 2015 and 31 March 2022 (see: McCloud Remedy).

Mr Divorcee will have a choice as to the benefits he receives in respect of his remediable service ("remedy benefits"). He can choose between "PCSPS-style" benefits or a "CSOPS -style" pension, as described below.

The choice will be available to Mr Divorcee shortly before he puts the benefits into payment, which is referred to as the "deferred choice underpin" (DCU). As CEs are based on benefits built up to date, the CE reflects the DCU by being based on the choice of remedy benefits that gives the higher CE at the CE date.

The administrator's letter dated 1 October 2025 explains that Mr Divorcee's CE was calculated allowing for either PCSPS-style benefits or CSOPS-style pension in respect of his remediable service and uses the style that results in the higher CE. The pension data shown on the CE statement indicates that CSOPS-style remedy benefits had the higher CE.

I estimate that the aggregate PCSPS pension at 26 September 2025 comprises:

- a pre-Remedy Period PCSPS-style pension of £13,462.65 a year, plus an automatic lump sum of £40,387.95, which is payable from a normal retirement age of 60, plus
- a Remedy Period CSOPS-style pension of £7,374.32 a year, which is payable from state pension age (currently 67 for Mr Divorcee).

While Mr Divorcee remains in pensionable service, the PCSPS-style benefits increase with changes to his pensionable pay, and the CSOPS-style pension increases in line with CPI inflation. Allowing for the April 2026 increase on the CSOPS-style pension, I estimate that the PCSPS pension now comprises:

- a pre-Remedy Period PCSPS-style pension of £13,463 a year, plus an automatic lump sum of £40,388, which is payable from 60, plus
- a Remedy Period CSOPS-style pension of £7,655 a year, which is payable from state pension age.

The pension will increase each April in line with CPI inflation once in payment (and would increase similarly before retirement if he leaves pensionable service before retiring).

In my calculations for retirement at age 60, I have allowed for the scheme's current 7-year early retirement factor of 0.700 on the CSOPS-style pension.

I report on the basis that Mr Divorcee chooses to receive the style of remedy benefits which gives the better outcome (which in this case is CSOPS-style benefits).

I calculate that the FAV of the pension is £351,886.

The CE was £418,195.84 as at 26 September 2025, according to the statement from the scheme administrator dated 1 October 2025. Based on my analysis, I am satisfied that the CE is correct allowing for the scheme's actuarial factors in force at that time and the stated benefits (which reflect CSOPS-style benefits for the Remedy Period). I estimate that the CE now is £409,039, based on the scheme's current actuarial factors and allowing for his current age and estimated benefits.

The CE is about 16% higher than FAV, as the assumptions used by public sector schemes are different to my FAV assumptions.

CSOPS

Mr Divorcee is accruing a DB pension in the Alpha Section of the Civil Servants and Others Pension Scheme (CSOPS), relating to pensionable service since 1 April 2022. He was originally moved into the CSOPS on 1 April 2015 but his pensionable service up to 31 March 2022 has been rolled back into the PCSPS under the McCloud Remedy (see above).

The pension was £3,519.72 a year at 26 September 2025, according to the statement from the scheme administrator dated 1 October 2025. This is payable from state pension age (currently 67 for Mr Divorcee).

While Mr Divorcee remains in pensionable service, the pension accrues on a career-average revalued earnings (CARE) basis, with the pension built up to April each year being increased in line with CPI inflation. I estimate that the pension is £4,493 a year now, allowing for further pension accrual and the April 2026 increase.

The pension will increase each April in line with CPI inflation once in payment (and would increase similarly before retirement if he leaves pensionable service before retiring).

In my calculations for retirement at age 60, I have allowed for the scheme's current 7-year early retirement factor of 0.700.

I calculate that the FAV of the pension is £51,928.

The CE was £50,495.37 as at 26 September 2025, according to the statement from the scheme administrator dated 1 October 2025. Based on my analysis, I am satisfied that the CE is correct allowing for the scheme's actuarial factors in force at that time and the stated benefits. I estimate that the CE now is £62,024, based on the scheme's current actuarial factors and allowing for his current age and estimated pension.

The CE is about 19% higher than FAV, as the assumptions used by public sector schemes are different to my FAV assumptions.

Aviva

Mr Divorcee has a DC pension with Aviva (policy number: 12345678).

The CE was £3,526.11 as at 1 April 2026, according to the statement from the scheme administrator of the same date. I estimate that it might be £3,632 now allowing for general movements in investment market values since the CE date.

I project the estimated CE to the retirement incomes starting from 60 as shown in paragraph 3.3 of this report, using my FAV assumptions.

A2 Mrs Divorcee

TPS

Mrs Divorcee has a DB pension preserved in the Career Average Scheme within the Teachers' Pension Scheme (TPS).

The pension was £2,937.79 a year at 30 August 2025, according to the statement from the scheme administrator of the same date. This is payable from state pension age (currently 67 for Mrs Divorcee).

The pension increases before retirement and once in payment each April in line with CPI inflation. I estimate the pension is £3,049 a year now, allowing for the April 2026 increase.

In my calculations for retirement at age 60, I have allowed for the scheme's current 7-year early retirement factor of 0.716.

I calculate that the FAV of the pension is £33,981.

The CE was £44,536.89 as at 30 August 2025, according to the statement from the scheme administrator of the same date. Based on my analysis, I am satisfied that the CE is correct allowing for the scheme's actuarial factors in force at that time and the stated benefits. I estimate that the CE now is £43,542, based on the scheme's current actuarial factors and allowing for her current age and estimated pension.

The CE is about 28% higher than FAV, as the assumptions used by public sector schemes are different to my FAV assumptions.

DC Pensions

Mrs Divorcee has two DC pensions, summarised in the table below.

DC Pensions	Aegon	Scottish Widows
Policy no.	12345678	SW123456
CE	£1,103	£386
CE date	01 May 26	08 Jun 26
Document date	01 May 26	09 Jun 26
Contributions	£100	Nil
Started	Jul 25	Mar 25
Ended	Ongoing	Jun 25
Transfer-in?*	-	-
Est. CE now	£1,315	£386

- A dash indicates where details are not known.
* Ongoing regular monthly contributions.
** Previous pensions that have been transferred into this pension.

The ‘estimated CE now’ row allows for general movements in investment market values since the CE dates and, where applicable, for contributions to have continued at the rate shown above up to the calculation date of this report.

I project the estimated CEs to the retirement incomes starting from 60 as shown in paragraph 3.3 of this report, using my FAV assumptions.

A3 Mr and Mrs Divorcee – State Pensions

Mr Divorcee’s accrued state pension was £184.50 a week (£9,627 a year) based on National Insurance (NI) contributions up to 5 April 2025 (which compares with a standard maximum state pension of £241.30 a week), according to a statement from the gov.uk website dated 5 May 2026. I estimate that his state pension is £191.39 a week (£9,987 a year) now, allowing for a further year of NI contributions.

Mrs Divorcee’s accrued state pension was £190.00 a week (£9,914 a year) based on NI contributions up to 5 April 2025 (which compared with a standard maximum state pension at the time of £230.25 a week), according to a statement from the gov.uk website provided to me on 12 December 2025. I estimate that her state pension is £206.01 a week (£10,749 a year) now, allowing for the April 2026 pension increase and a further year of NI contributions.

These pensions are payable from state pension age, currently 67 for both parties.

NB: There is a government proposal for the state pension age for individuals born between 6 April 1970 and 5 April 1978 to be increased to between 67 years & 1 month and 68 years (depending on date of birth). The parties’ state pension ages may change if this proposal is accepted.

While state pensions can be delayed to a later age, they cannot be started early. In my calculations for retirement at 60, I convert these pensions, starting at state pension age, to lower retirement incomes of equivalent actuarial value, spread over retirement starting at 60.

I calculate the FAV of the state pensions is £115,411 for Mr Divorcee and £119,785 for Mrs Divorcee.

A4 Pensions Accrued Over Relationship Periods

I have been asked for calculations based on R pensions – pensions built up from the parties’ marriage on 25 December 2000 up to their separation on 25 December 2025.

Accordingly, I have calculated the proportion of each of the current pensions attributable to the relationship period and consider it reasonable to do this in proportion to the period of service and/or period of contributions inside and outside the relationship period. I have used simple proportions to achieve this (often referred to as the “straight-line method”).

In addition:

- I have been informed that Mr Divorcee’s Aviva pension was built up entirely outside of the relationship period.
- For Mrs Divorcee’s TPS pension, I have been informed that it was built up entirely within the relationship period.

I summarise the results of my apportionment calculations in the table below.

R pensions	R%	Pension 60	FAV
Husband's pensions			
PCSPS	55.8%	£11,625	£196,287
CSOPS	95.0%	£2,988	£49,324
Aviva	0.0%	£0	£0
State	45.9%	£3,108	£52,975
Total		**£17,721**	**£298,586**
Wife's pensions			
TPS	100.0%	£2,183	£33,981
Aegon	46.1%	£37	£606
Scottish Widows	100.0%	£24	£386
State	46.9%	£3,419	£56,188
Total		**£5,663**	**£91,162**
Gap if no sharing		£12,058	£207,424

Appendix B – Basis of Calculations

1 To project pensions from defined-benefit and defined-contribution pension plans, it is necessary to make assumptions for many years into the future about variables such as mortality, investment returns, inflation, interest rates and market annuity rates. A wide range of assumptions are possible, and can be justified in particular circumstances, and no one set of assumptions is definitely correct.

Fair Actuarial Value Basis (FAV)

2 **I define fair actuarial value (FAV) as the amount of money now in a defined-contribution pension scheme which can reasonably be equated with an accrued defined-benefit pension in terms of a sustainable retirement income with reasonable provision for pension increases and taking reasonable account of the higher investment and other risks borne by defined-contribution scheme members compared with defined-benefit scheme members.** For the purposes of this report, I have come to an opinion on a set of assumptions which are reasonable in the circumstance of this matter, and which strike a fair balance between the parties.

3 I consider it reasonable to assume that individuals will consider a range of options at retirement, including drawdown – the effect is an increase generally around 10% above the income assuming purchase of only an annuity with fixed increases. The most significant assumptions are:

Interest rate in later retirement:	5.75% a year
Investment return before retirement:	7.00% a year (6.00% after charges)
CPI increases:	2.75% a year (RPI 3.15%; LPI 3.05%)
Mortality (broadly):	Standard Table PMA92 less 1 year of age

4 In my calculations, I have allowed for equalisation of male and female annuity rates. On this basis, the value of a single-life pension at age 60 of £1 a year with CPI inflation increases in retirement – which I treat as equivalent to fixed increases 0.5% a year higher than shown above in order to allow for the inflation guarantee – is **£20.249**. I have used this value to convert defined-contribution funds into retirement income.

Present Market Annuity Rates

5 Information obtained recently from the Hargreaves Lansdown website on present market annuity rates is that the annuity rate for a 60-year-old man or woman is **£21.737** for £1 a year initial pension with 3.25% a year increases. The rate for an annuity with guaranteed RPI inflation increases is higher at £23.156.

6 Thus, annuities in the market with 3.25% a year increases were about 7% more expensive than values on my fair actuarial value basis as set out above.

Taking Benefits in Retirement

7 Defined-contribution pension fund members have a wide range of choices in how to set up their retirement benefits – with a range of annuities and income drawdown policies available. Members would normally be strongly advised to take independent investment advice in making such choices.

8 On my fair value projections, a fund of £100,000 at retirement is converted to a pension of £4,939 a year with 3.25% a year increases in retirement from age 60. A lower income is obtained if an annuity is purchased at current market rates (see above) – the income would be £4,600 a year from an annuity with guaranteed 3.25% a year increases. A higher income of £6,868 a year is provided from an annuity with no increases, and a lower income of £4,319 a year is provided from an annuity with guaranteed RPI inflation increases.

9 If market interest rates increase by the time the parties set up retirement income, the income from annuity purchase is expected to be larger – if market interest rates fall, the income from annuity purchase is expected to fall.

10 Alternatively, income drawdown policies have a standard (GAD rate) drawing, at a rate obtained recently of 6.90% a year of the fund for a 60-year-old (based on gilt yields of 5.00% a year), thus an income of £6,900 a year from a fund of £100,000 now – so my basis implies drawing about 72% of the standard GAD rate, and would allow the fund to support future increases matching inflation over retirement if the underlying investment growth is as assumed in my basis.

11 Furthermore, pension freedoms have broadly removed the maximum drawing from drawdown pensions. This is a useful increase in the flexibility and therefore potential value of defined-contribution pensions, compared to defined-benefit pensions, but does not eliminate the need for pensioners to obtain some security of their lifetime income from their pension fund. Pensioners can consider options such as drawdown for some years into retirement, converting to annuities for a secure lifetime income at a later age, perhaps into their 70s. My fair actuarial value methods and assumptions reasonably allow for this.

12 In recent years the availability of enhanced annuities has increased, where after individual underwriting based on a medical questionnaire (sometimes examination as well), an insurer will offer an annuity rate above "normal" rates. The health issues taken into account can appear relatively minor (e.g. high blood pressure), so these are widely available. In my opinion, the possibility of using enhanced annuities further supports not using present market annuity rates (for "ordinary" lives) in my calculations.

13 I consider that my fair value basis described above is a reasonable middle basis for estimating what the parties might do with defined-contribution pensions at retirement after taking advice – it allows reasonably for provision of future increases but not for guarantees.

Appendix C – Pension Sharing

It is important that pension sharing is implemented without undue delay and, unless stated otherwise, it is vital that the pension(s) being shared are not put into payment before implementation is complete.

The parties and their representatives would be well-advised to review Appendix F of PAG2 which covers the practical implementation issues of PSOs.

A draft PSO should be provided to the scheme administrator for review before it is finalised, as is best practice and recommended by PAG2.

Civil Service Pension Schemes

Type of sharing offered

Under the present rules as available to me, pension sharing in the Civil Service Pension Schemes is implemented internally.

Implications for Mr Divorcee

Sharing results in a debit from Mr Divorcee's pension of the percentage specified in the PSO. The debit will apply to the pension at the time the order is implemented and does not affect accrual after that point. The pension debit increases each April with CPI inflation (consistent with the pension credit, described below).

Implications for Mrs Divorcee

Mrs Divorcee would become a member of the PCSPS or CSOPS in her own right with a DB pension credit of equal value to the CE shared (see below), which:

- is payable from
  - 60 from sharing the PCSPS pension
  - her state pension age (currently 67) from sharing the CSOPS pension
- increases before and after retirement with CPI inflation
- has no spouse's pension attached
- has an automatic lump sum attached from sharing the PCSPS pension.

The pension credits can be started by Mrs Divorcee at any age from 57, subject to the schemes' early retirement reductions.

How internal pension sharing operates

The CE of Mr Divorcee's benefits and Mrs Divorcee's actuarially-equivalent pension credit are calculated on standard tables of actuarial factors provided by the Government Actuary's Department (GAD), taking account of their ages. I allow for the PSO to be implemented before 1 February 2027, while Mr Divorcee's age is 54 and Mrs Divorcee's age is 53 – my calculations may need to be updated if this is not the case.

I calculate using the current GAD tables that the CE of Mr Divorcee's PCSPS benefits at sharing will be about 19.37 times his pension, and that Mrs Divorcee's actuarially-equivalent PCSPS pension credit from sharing would be the PCSPS CE share divided by 20.94. Mrs Divorcee's pension credit from sharing will be about 7% lower than Mr Divorcee's pension debit, mainly due to Mrs Divorcee's pension credit being payable at age 60, whereas Mr Divorcee can only take the PCSPS-style pension without reduction for early payment from age 60 and the CSOPS-style pension from age 67, partially offset by the lack of a spouse's pension attaching to pension sharing credits.

Mrs Divorcee's pension credit from sharing based on retirement at age 60 will be about 8% higher than Mr Divorcee's pension debit for retirement. I highlight that this differs from the percentage set out above because of the early retirement factor that would be applied to Mr Divorcee's CSOPS-style pension and Mrs Divorcee will get an automatic lump sum equal to 3 times the entirety of her pension credit, whereas Mr Divorcee's automatic lump sum will be based on his PCSPS-style pension only.

Sharing Mr Divorcee's CSOPS pension works on a similar basis.

Practicalities to consider

Separate pension sharing orders are required for sharing the PCSPS and CSOPS pensions. The PSO should be worded carefully to ensure it refers specifically to the PCSPS pension only.

According to the documents provided to me, the current administration charge for implementation of a PSO is £2,888.91 plus VAT. There may be an extra charge for reviewing a draft PSO.

Aviva

Type of sharing offered

DC pensions are normally shared externally.

Implications for Mr Divorcee

Pension sharing on Mr Divorcee's DC Aviva pension results in a debit from his pension of the percentage specified in the PSO.

Implications for Mrs Divorcee

Sharing results in a credit for Mrs Divorcee set up by transferring the specified percentage of the CE (recalculated by the provider at the time the sharing order is implemented) into a pension chosen by Mrs Divorcee, which would normally be DC in nature.

Mrs Divorcee can start to draw benefits at any age from 57, although the earlier she starts to draw income, the lower that income is likely to be with the shorter investment period and the longer life expectancy at younger ages.

I project the pension credit using my FAV assumptions.

Mrs Divorcee will be well-advised to take independent financial advice on her choices in setting up and running a new pension arrangement from external pension sharing credits. As a single joint expert pensions-on-divorce report addressed to the Court, this report in no way provides individual or independent financial advice to her.

Practicalities to consider

Documents from Aviva show there is currently no charge for implementing a PSO. A charge may apply for the review of a draft PSO.

Independent Financial Advice and Implementation

The calculations in this report address the pension sharing outcome from an actuarial standpoint only. They do not determine how any pension credit should be received, invested or drawn to provide future retirement income. Where a credit is to be implemented externally, the receiving party should take regulated financial advice before selecting a receiving arrangement, or making investment and income decisions, from an adviser that is experienced in pension sharing on divorce.

(Please see my note on obtaining independent financial advice in Section 2.)

Appendix D – Offsetting Issues

I am not an expert in tax and so illustrative tax adjustments are used below. I can provide further calculations if given specific joint instructions on how to allow for tax.

I have been asked to advise on issues and values if pensions are dealt with by offsetting, and therefore that Mrs Divorcee is provided with monies outside of pension arrangements. As set out in part 7 of PAG2, offsetting is the process by which the right to receive a present or future pension benefit is traded for present capital or "money now". Offsetting invariably tries to compare two very different asset classes, so is often inherently difficult and can lead to unfair outcomes.

I start by considering Mr Divorcee's higher retirement income from 60, which in paragraph 3.3 is projected to be £21,395 a year more than Mrs Divorcee's, based on total pensions. I then calculate the discounted capital value of this difference based on my FAV assumptions (consistent with "actuarial value" in paragraph 7.24 of PAG2).

As set out in paragraphs 7.31-7.34 of PAG2, the offset value should be adjusted for tax, so I allow for the following illustrative adjustments in the table below:

- the differential in retirement incomes to be taxed at an average rate of 13% in payment (which may be different to the marginal rate of tax discussed in paragraph 7.30 of PAG2)
- a reduction in the return of approximately 0.4% a year in respect of the tax on investment returns on an offset value held outside a pension arrangement.

Offsetting in lieu of equalising incomes from 60	FAV	FAV after income tax	FAV after income & investment tax*
Offset value	£365,000	£317,000	£342,000

* as used in Section 5

These offset values do not allow for "utility" i.e. recognising the perceived benefit of receiving capital now rather than at some future point. Paragraphs 7.37-7.43 of PAG2 discuss utility and say that "Dependent on the facts of each case, a range of 0% to 25% could potentially be argued to be appropriate as a further adjustment to pension values for offsetting purposes where the application of a utility adjustment is considered justified on the facts of the case.". PAG2 discusses the factors that should be considered. Please note that the issue of utility is not an actuarial matter and is for the parties to agree or the court to decide.

Paragraph 7.24 of PAG2 also discusses alternative approaches such as:

- realisable value, where a pension is immediately liquidated to provide a lump sum – this is rarely appropriate (e.g. it often results in large tax charges)
- cashflow modelling, which would be appropriate if I were providing financial advice, such as that regulated by the Financial Conduct Authority – which I am not
- Duxbury values – which paragraph 7.27 of PAG2 says are generally not appropriate
- the Defined Contribution Fund Equivalent ("DCFE", set out in paragraph 7.24 of PAG2), which is based on market annuities. Had I used this approach, the offset values change as below:

Offsetting in lieu of equalising incomes from 60	DCFE	DCFE after income tax	DCFE after income & investment tax
Offset value	£391,000	£340,000	£367,000

Appendix E – Statement of Qualifications

An Actuary FIA

Appendix F – Glossary of Terms

The definitions set out below are intended to assist readers to understand the terms used within this report. The definitions are intentionally brief and non-technical. Wider meanings may apply in other contexts.

Term	Definition
Accruing / Further Accrual	Actively building up further pension. An accruing pension normally receives further contributions (**DC**) or further pensionable service (**DB**).
Actuarial Equivalence	The conversion of a pension benefit into a standard form with the same **fair actuarial value (FAV)** as the original pension.
Actuarial Factors	Factors used to adjust pension **benefits** to reflect when and how they are taken (e.g. early retirement reductions). Also used to calculate **CEs** and **pension credits** for public sector pensions (e.g. NHS).
Annuity	A regular income stream purchased from an insurance company. Increases (if any) each year depend on the options chosen at the time of purchase.
Benefits	Within this report, 'benefits' refer to the overall promise from a **DB** scheme, which can include yearly lifetime **pension**, temporary pension and automatic **lump sum**.
Capital Value	The current value of a future income stream calculated using actuarial assumptions.
Cash Equivalent (CE)	Sometimes called Cash Equivalent Transfer Value (CETV) or Cash Equivalent Value (CEV). The value placed on pension benefits by the scheme. CEs may not reflect the **fair actuarial value (FAV)** for divorce purposes.
Court Order	A legally binding direction made or approved by the Court.
CPI Inflation	Consumer Prices Index (CPI) is a measure of price inflation in the UK.
Crystallised / Uncrystallised	**DC** funds are uncrystallised until a tax-free **lump sum** is taken. After a tax-free **lump sum** has been taken, the fund becomes crystallised.
Defined-Benefit (DB)	A pension which promises a defined income in retirement.
Defined-Contribution (DC)	A pension pot built up from contributions and investment returns. The **benefits** provided depend on the value of the pot and how it is used.
Drawdown	A way of taking money from a **DC** pension while leaving the remaining funds invested.
Fair Actuarial Value (FAV)	The **capital value** of pension **benefits**, allowing for their features and the assumptions set out in Appendix B. The **FAV** may differ from the **CEs** provided by schemes.
Guaranteed Annuity Rate (GAR)	A guaranteed rate at which a pension fund can be converted into an **annuity**, available from some historic **DC** pension policies. The **GAR** may provide a higher income than **annuity** rates available on the open market.
Guaranteed Minimum Pension (GMP)	A minimum **DB pension** which certain schemes must provide for service between 6 April 1978 and 5 April 1997. Different rules usually apply to increases before retirement and once the **pension** is **in payment**, and payment ages.
IFA	Independent Financial Advisor regulated by the Financial Conduct Authority (FCA).
Implementation Date	The date from which the **pension sharing order (PSO)** is put into effect.
In Payment	The status of a **DB pension** after it starts to provide a regular income.

Term	Definition
Letter of Instruction	The written instructions provided jointly by the parties and/or their solicitors which detail the questions which this report was asked to address.
Limited Prices Indexation (LPI)	**RPI inflation**-linked pension increases subject to a maximum increase of 5% each year and a minimum of 0%.
Lump Sum	Cash sum received upon putting a **pension into payment**. Available either from giving up part of the **pension** (commutation) or, in certain schemes, automatically (in addition to the **pension**). Usually free of income tax, up to limit of broadly 25% of overall value.
Normal Retirement Age (NRA)	The age at which a **DB pension** is payable without reduction for early payment under the scheme rules. The NRA may differ between the various elements of the **pension**.
Offsetting	A way of dividing assets on divorce where one party keeps more of the **pension** and the other receives a larger share of non-pension assets (e.g. the former marital home).
PAG2	PAG2 is the publication "A Guide to the Treatment of Pensions on Divorce – 2nd Edition", which sets out best practice when dealing with pensions on divorce.
Pension	The regular income paid in retirement for life, or for a specified period (temporary **pension**), offered by a **DB** scheme.
Pension Attachment (Earmarking) Order	A Court ordered arrangement which diverts a percentage of **pension** income to an ex-spouse once **in payment**. Does not offer a clean break solution.
Pension Credit	The **pension** rights awarded to the person receiving a pension share.
Pension Debit	The reduction made to a person's **pension** rights from pension sharing.
Pension Sharing Order (PSO)	A **Court Order** which divides a **pension** between divorcing parties. It creates a pension debit for one party and a separate pension credit for the other. Expressed as a percentage of the **pension** in England and Wales.
Preserved Pension	A **DB pension** no longer **accruing** but not yet **in payment**.
Relationship Period	The period(s) specified by the parties and/or their solicitors for the purpose of equalising **pensions** built up within the relationship, if so instructed.
Retirement Age	The age at which **pensions** are treated as coming **into payment**, when calculating the sharing required to equalise **retirement incomes**.
Retirement Income	A standard form of pension benefits with the same **fair actuarial value (FAV)** as the original **pension(s)**, to enable like-for-like comparison with other **pensions**.
Revaluation	Increases applied to a **preserved pension** before it is put **into payment**.
RPI Inflation	Retail Prices Index (RPI) is a measure of price inflation in the UK.
Single Joint Expert	An independent expert jointly instructed by both parties to provide impartial advice. The expert's primary duty is to the Court.
State pension age (SPA)	The earliest age at which an individual can claim their state pension. An individual's SPA depends on their date of birth and is subject to change under legislation.
Utility	In an offsetting context, utility recognises that income in retirement (which may be years away) and the money now may differ in their attractiveness to the parties. The Court decides what adjustment, if any, should be given for utility.

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