# Client name

**Reference**

**Date**

Prepared by:

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# Instructions

Further to our letter of instruction signed by Mr A XXXX & Mrs S XXXX dated 01 June 2017, our instructions are to:

**1.** Calculate the pension share required based on all pensions accrued to date to create equality of income at Mr and Mrs XXXX’s respective retirement dates.

**2.** Our report is to consider the most cost effect way to share the pensions and is to include State Pension entitlement.

# Basis of report

The date at which we would aim to achieve equality of income will be Mr XXXX’s 67th birthday on XX December 2034. At this point, all pensions will be in payment including State pensions.

Figures have been produced on a gross basis (i.e. before tax) and are shown in today’s terms, i.e. adjusted for inflation.

The Shell Overseas Pension Scheme is not able to facilitate pension sharing, however it is included in our calculations for equality of income purposes.

Mr XXXX was born on XX December 1967 and is aged 49.

Mrs XXXX was born on XX October 1966 and is age 51.

Both Mr and Mrs XXXX have confirmed that they are in good health and are non-smokers.

# Executive Summary

My analysis has been conducted and my conclusions are summarised below. Table 1 assumes that income from Defined Benefit schemes is drawn at the schemes’ Normal Retirement Date, and that Mrs XXXX will take benefits from her Pension Credits at age 60, to match the age at which Mr XXXX will receive his Shell Overseas pension benefits. You will see that even if Mrs XXXX receives 100% of all of Mr XXXX’s UK based pension funds, equality of income will not be achieved:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Pension in the name of: | Pension scheme | Reference number | Share of CETV passed to Mrs XXXX | Pension Income at retirement p.a. after pension share |
| Mr XXXX | Shell UK Pension Fund | 66463 | 100% | £0.00 |
| Mr XXXX | Shell Overseas Pension Fund | 52823 | 0% **(cannot be shared)** | £25,643 |
| Mr XXXX | Rolls-Royce UK Pension fund | P456217 | 100% | £0.00 |
| Mr XXXX | BG Group RBP | 5139513 | 100% | £0.00 |
| Mr XXXX | State Pension | NX494877D | All Retained | £5,116 |
| **MR XXXX’S TOTAL GROSS PENSION INCOME** | | | | **£30,760** |

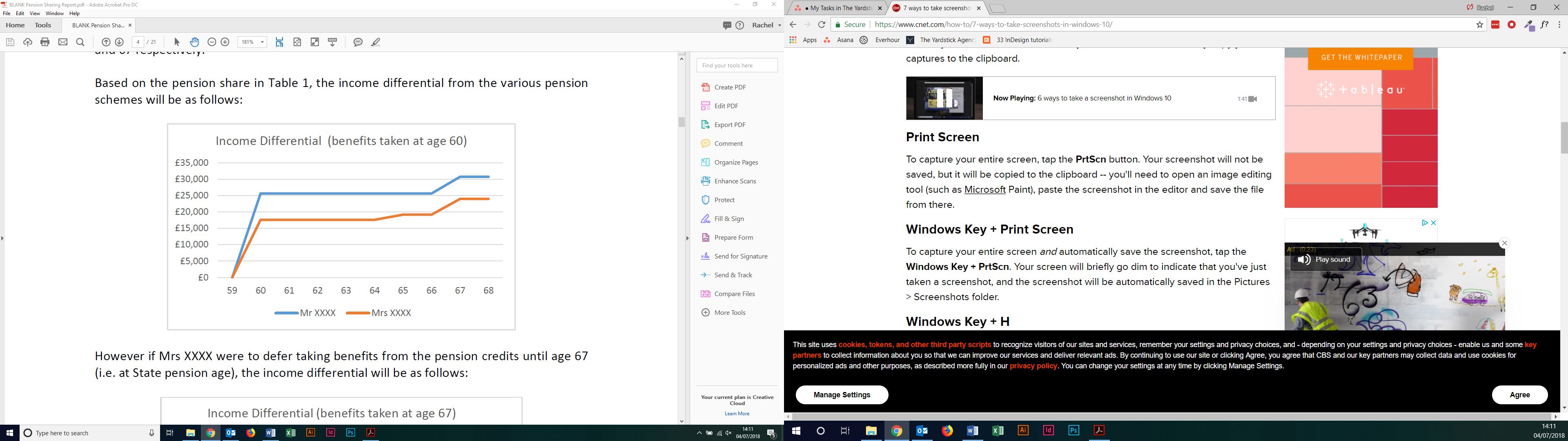
|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Pension in the name of: | Pension scheme | Reference number |  | Pension Income at retirement p.a. after pension share |
| Mrs XXXX | Local Government Pension Scheme | NM234412A | All Retained | £1,570 |
| Mrs XXXX | Teachers’ Pension Scheme | 05/18672 | All Retained | £953 |
| Mrs XXXX | State Pension | NM234412A | All Retained | £4,464 |
| Mrs XXXX | Pension Share | N/A | Recd from Mr XXXX | £16,910\* |
| **MRS XXXX’S TOTAL GROSS PENSION INCOME** | | | | **£23,564** |

\*Assuming benefits are taken from the Pension Credits at age 60 to match the retirement date of the Shell Overseas Pension scheme.

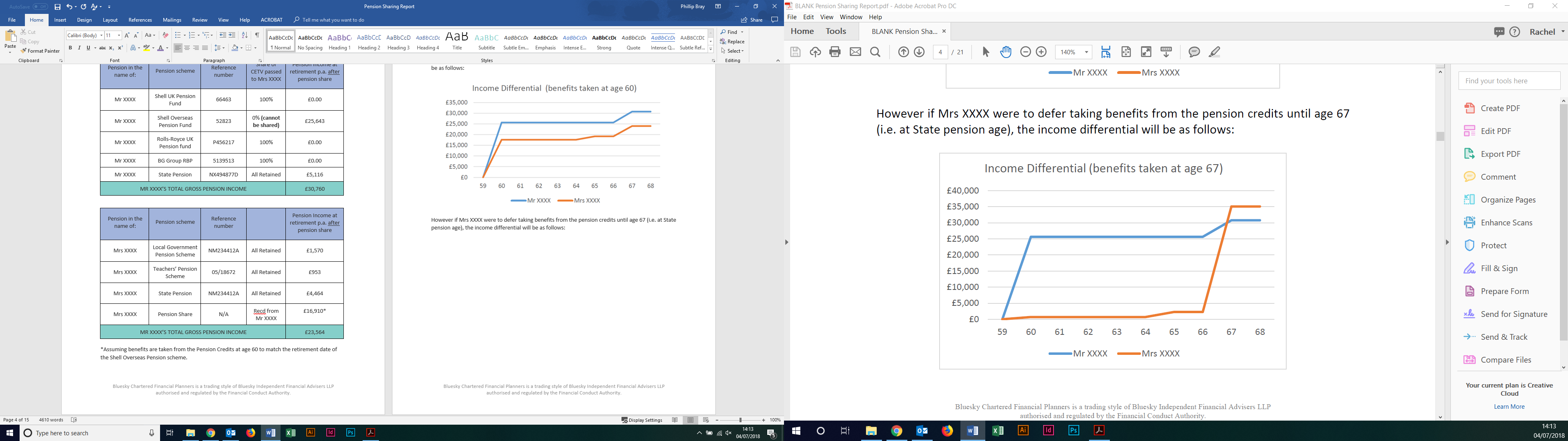
As most of the above pensions are Defined Benefit pension schemes, the Normal Retirement Date (NRD) will be different for each scheme. Benefits will become payable at different dates and the difference in incomes will therefore vary until all of the pensions have come into payment.

Our calculations are based on an assumed retirement age of 60 for Mrs XXXX to match the benefits of the Shell Overseas pension scheme, although benefits from the Local Government and Teachers’ CARE pension scheme will not come into payment until age 65 and 67 respectively.

Based on the pension share in Table 1, the income differential from the various pension schemes will be as follows:



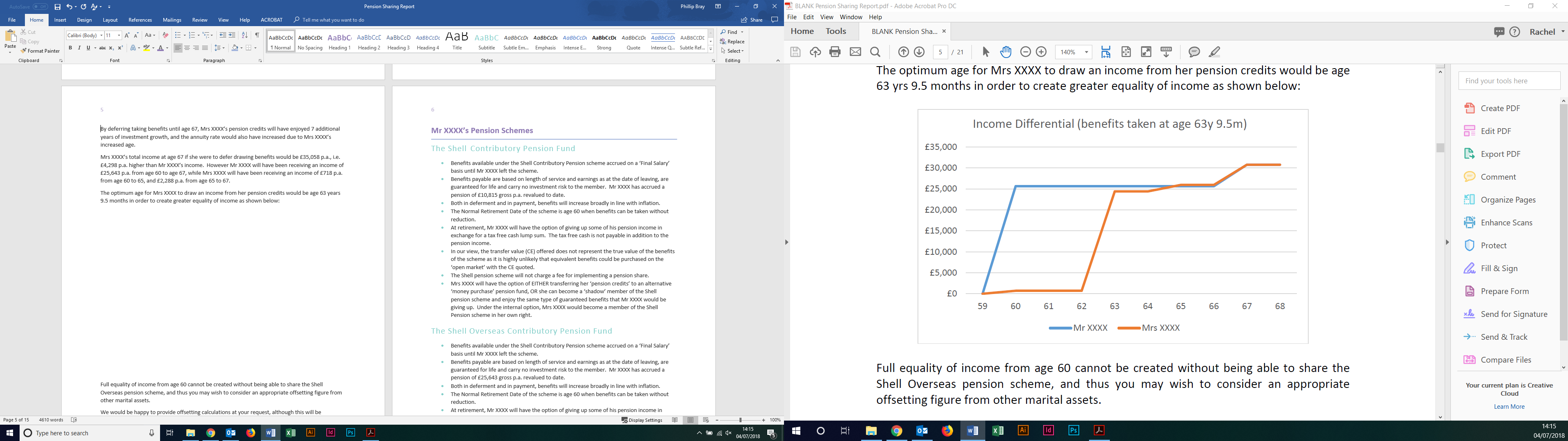
However if Mrs XXXX were to defer taking benefits from the pension credits until age 67 (i.e. at State pension age), the income differential will be as follows:



By deferring taking benefits until age 67, Mrs XXXX’s pension credits will have enjoyed 7 additional years of investment growth, and the annuity rate would also have increased due to Mrs XXXX’s increased age.

Mrs XXXX’s total income at age 67 if she were to defer drawing benefits would be £35,058 p.a., i.e. £4,298 p.a. higher than Mr XXXX’s income. However Mr XXXX will have been receiving an income of £25,643 p.a. from age 60 to age 67, while Mrs XXXX will have been receiving an income of £718 p.a. from age 60 to 65, and £2,288 p.a. from age 65 to 67.

The optimum age for Mrs XXXX to draw an income from her pension credits would be age 63 years 9.5 months in order to create greater equality of income as shown below:



Full equality of income from age 60 cannot be created without being able to share the Shell Overseas pension scheme, and thus you may wish to consider an appropriate offsetting figure from other marital assets.

We would be happy to provide offsetting calculations at your request, although this will be considered a separate instruction and additional charges will apply.

The remainder of my report provides further rationale as to how I have arrived at the Pension Shares to be awarded to Mrs XXXX and gives further detail on the pension schemes to be considered.

This report makes various assumptions that are detailed on page 17. While there are different methodologies in determining how pensions should be shared on divorce I have used a methodology which I believe is consistent with actuarial practices and market assumptions.

Please also read the Notes section on page 12 of this report for further details of the methodology used in producing this report.

# Mr XXXX’s Pension Schemes

The Shell Contributory Pension Fund

* Benefits available under the Shell Contributory Pension scheme accrued on a ‘Final Salary’ basis until Mr XXXX left the scheme.
* Benefits payable are based on length of service and earnings as at the date of leaving, are guaranteed for life and carry no investment risk to the member. Mr XXXX has accrued a pension of £10,815 gross p.a. revalued to date.
* Both in deferment and in payment, benefits will increase broadly in line with inflation.
* The Normal Retirement Date of the scheme is age 60 when benefits can be taken without reduction.
* At retirement, Mr XXXX will have the option of giving up some of his pension income in exchange for a tax free cash lump sum. The tax free cash is not payable in addition to the pension income.
* In our view, the transfer value (CE) offered does not represent the true value of the benefits of the scheme as it is highly unlikely that equivalent benefits could be purchased on the ‘open market’ with the CE quoted.
* The Shell pension scheme will not charge a fee for implementing a pension share.
* Mrs XXXX will have the option of EITHER transferring her ‘pension credits’ to an alternative ‘money purchase’ pension fund, OR she can become a ‘shadow’ member of the Shell pension scheme and enjoy the same type of guaranteed benefits that Mr XXXX would be giving up. Under the internal option, Mrs XXXX would become a member of the Shell Pension scheme in her own right.

The Shell Overseas Contributory Pension Fund

* Benefits available under the Shell Contributory Pension scheme accrued on a ‘Final Salary’ basis until Mr XXXX left the scheme.
* Benefits payable are based on length of service and earnings as at the date of leaving, are guaranteed for life and carry no investment risk to the member. Mr XXXX has accrued a pension of £25,643 gross p.a. revalued to date.
* Both in deferment and in payment, benefits will increase broadly in line with inflation.
* The Normal Retirement Date of the scheme is age 60 when benefits can be taken without reduction.
* At retirement, Mr XXXX will have the option of giving up some of his pension income in exchange for a tax free cash lump sum. The tax free cash is not payable in addition to the pension income.
* In our view, the transfer value (CE) offered does not represent the true value of the benefits of the scheme as it is highly unlikely that equivalent benefits could be purchased on the ‘open market’ with the CE quoted.
* The Shell pension scheme does not have the power to accept a UK pension sharing order, and thus these benefits cannot be shared on divorce.

The Rolls-Royce UK Pension Fund

* Benefits available under the Rolls-Royce UK Pension scheme accrued on a ‘Final Salary’ basis until Mr XXXX left the scheme.
* Benefits payable are based on length of service and earnings as at the date of leaving, are guaranteed for life and carry no investment risk to the member. Mr XXXX has accrued a pension of £893 gross p.a. revalued to date.
* Both in deferment and in payment, benefits will increase broadly in line with inflation.
* The Normal Retirement Date of the scheme is age 65 when benefits can be taken without reduction.
* At retirement, Mr XXXX will have the option of giving up some of his pension income in exchange for a tax free cash lump sum. The tax free cash is not payable in addition to the pension income.
* In our view, the transfer value (CE) offered does not represent the true value of the benefits of the scheme as it is highly unlikely that equivalent benefits could be purchased on the ‘open market’ with the CE quoted.
* The Rolls-Royce Pension scheme will charge a fee of £900 (VAT included) for implementing a pension share.
* Internal membership of the scheme is not available to an ex-spouse on divorce. Mrs XXXX will have no option but to transfer her ‘pension credits’ to an alternative ‘money purchase’ pension fund.

The BG Group Retirement Benefits Plan

* This scheme is a Group Stakeholder pension plan whereby benefits accrue on a ‘money purchase’ basis.
* Benefits from this plan can be drawn at any time after age 55 (under present legislation).
* At retirement Mr XXXX will be entitled to tax free cash of 25% of the fund value.
* This plan has no guarantees or other notable features such as guaranteed annuity rates or guaranteed growth rates.
* The fund value is equal to the transfer values, thus there are no penalties on transfer.
* There would be no fees for implementing a pension share against either of this scheme.
* Internal membership of this scheme would not be available to Mrs XXXX on receipt of a pension credit. The pension credits would need to be transferred to an alternative arrangement in Mrs XXXX’s own name.

# Mrs XXXX’s Pension Schemes

Teachers’ 80th Pension Scheme

* Benefits under the Teachers’ 80th pension scheme accrue on a ‘Final Salary’ basis.
* Benefits payable are based on length of service and earnings as at the member’s leaving date (or in this case the date the scheme was closed), are guaranteed for life and carry no investment risk to the member. Mrs XXXX has accrued a pension of approximately £718 gross p.a. revalued to date.
* At retirement, Mrs XXXX will automatically receive a tax free cash lump sum equal to 3 times the pension income payable, i.e. £2.154.
* Both in deferment and in payment, benefits will increase broadly in line with inflation.
* The normal retirement age of the scheme is 60 when benefits can be taken without reduction.
* The scheme closed on 31st March 2015 and was replaced by the Career Average (CARE) Pension scheme. No further benefits can be accrued within the scheme.
* In our view, the transfer value (CE) offered represents poor value as it is highly unlikely that equivalent benefits could be purchased on the ‘open market’ with the CE quoted. However as it is not possible to transfer the benefits to an external arrangement the CETV is largely irrelevant.

Teachers’ Career Average (CARE) Pension Scheme

* Benefits available under the Teachers’ CARE pension scheme accrue on a Defined Benefit basis and are based on earnings in each year of service.
* Benefits payable are based on number of years of service and earnings in each year of service, are guaranteed for life and carry no investment risk to the member. Mrs XXXX has accrued a pension of £334 gross p.a. revalued to date.
* Both in deferment and in payment, benefits will increase broadly in line with inflation.
* The normal retirement age of the scheme is State Pension age (in Mrs XXXX’s case age 67) when benefits can be taken without reduction. Benefits taken prior to the NRD will be subject to a reduction.
* Benefits can be drawn from the 80ths and CARE pension schemes independently providing the member has reached age 60.
* The scheme replaced the 80ths scheme on 1st April 2015 and future benefits in the TPS will be accrued within this scheme.
* At retirement, Mrs XXXX will have the option of giving up some of her pension income in exchange for a tax free cash lump sum. The tax free cash is not payable in addition to the pension income.
* In our view, the transfer value (CE) offered represents poor value as it is highly unlikely that equivalent benefits could be purchased on the ‘open market’ with the CE quoted. However as it is not possible to transfer the benefits to an external arrangement the CETV is largely irrelevant.

Local Government Pension Scheme

* Benefits available under the Local Government Pension Scheme accrued on a ‘Final Salary’ basis until Mrs XXXX left the scheme.
* Benefits payable are based on length of service and earnings as at the member’s leaving date, are guaranteed for life and carry no investment risk to the member. Mrs XXXX has accrued a pension of £1,570 gross p.a. revalued to date.
* At retirement, Mrs XXXX will automatically receive a tax free cash lump sum equal to 3 times the pension income payable, i.e. £4,710.
* Both in deferment and in payment, benefits will increase broadly in line with inflation.
* The normal retirement date of the scheme is age 65 when benefits can be taken without reduction. Benefits taken prior to the NRD will be subject to a reduction.
* In our view, the transfer value (CE) offered represents poor value as it is highly unlikely that equivalent benefits could be purchased on the ‘open market’ with the CE quoted.

# Pension Commencement Lump Sums (also known as Tax Free Cash)

Under the 80ths Teachers’ Pension Scheme and Local Government pension Scheme, Mrs XXXX will receive a tax free cash lump sum equal to 3 times the pension income in addition to the pension income. This will not have a direct impact on the level of income payable.

Under the Shell, Rolls-Royce and Teachers’ CARE pension schemes, Mr & Mrs XXXX can choose to give up some of their pension income in exchange for a pension commencement lump sum (tax free cash) when income extraction is due to start. Taking the tax free cash would have a direct impact on the level of income produced (i.e. the lump sums are NOT paid out in addition to the income) and taking tax free cash would reduce the total pension income payable.

For money purchase pension schemes up to 25% of the fund value can be drawn as tax free cash, with the balance being used to provide a taxable income.

For the purposes of our report we have assumed that unless the tax free cash is in addition to the pension income, tax free cash will not be taken and that the full value will be used to provide an income.

# Methodology

Our pension sharing calculations are based on the last CEs (Cash Equivalents, i.e. transfer values) and pension income statements produced. Values will be recalculated during the implementation period once the transferring pension scheme has received a sealed Pension Sharing Annex, Decree Absolute and other requested information. The value of the resulting pension share and income may thus be different from that stated in this report. Extended delays before implementation can become significant and calculations should be renewed.

We assume that money purchase arrangements will buy an annuity at the calculation date as this is the only reliable way of generating an index-linked guaranteed retirement income similar to that of a Final Salary/Defined Benefit pension scheme. Other methods of pension withdrawal are possible and may be appropriate at retirement depending on individual circumstances at the time. For a fair like-for-like comparison, annuity purchase for money purchase pensions is assumed. This assumption of annuity purchase should not be construed as advice to do so and both Mr and Mrs XXXX should seek independent financial advice on which of the many methods of drawing pension income from their pension funds is suitable at that time.

Further Points to Consider

Once Mrs XXXX has received the pension credits, she will have the option of becoming a member of the Shell Pension Scheme, and benefits will become payable from age 60. Alternatively she will have the option of transferring the pension credits to an alternative money purchase pension arrangement

Our calculations have been somewhat restricted in that Shell are unable to provide details of the benefits that would be payable to Mrs XXXX if she were to receive 100% pension share and become a shadow member of the scheme. Shell are unique in this regard, as the majority of Defined Benefit pension schemes would provide a calculation based on a divorcing spouse receiving a percentage share of the scheme and the benefits this would provide them as a new scheme member. This calculation would be performed by the scheme actuary on receipt of the pension sharing annex, and would be based on the scheme’s own internal CETV calculation methods.

Therefore we are unable to comment on which would be the best option for Mrs XXXX. Ultimately this is likely to depend upon whether Mrs XXXX would prefer the security of a guaranteed pension income for life from the Shell pension scheme, or whether she would prefer a greater degree of flexibility as to how benefits are taken.

As there is a relatively small age difference between Mr and Mrs XXXX, we would assume that the income payable to Mrs XXXX would be similar (potentially marginally lower as Mrs XXXX is older than Mr XXXX) if the option of internal membership is selected, although this is based on our own assumptions. Until the Pension Sharing Order has been received, Shell will not comment on the income that Mrs XXXX could receive as a shadow member. However it is likely that if Mrs XXXX were to select this option, she could choose to transfer the fund to a money purchase arrangement at a later date.

Mrs XXXX will need to find an appropriate home for her share of the Rolls-Royce and BG pension scheme as it is not possible to become an internal member of these schemes. None of Mrs XXXX’s existing schemes would be able to accept a transfer of the funds.

We have based our calculations on the assumption that Mrs XXXX will use the pension credits to purchase an annuity at age 60 on a single life basis escalating at RPI as this most closely matches the benefits of the Shell Overseas pension scheme. If benefits are taken in a different manner or at a different age the income will differ from the figures given within this report.

Further pension accrual will also change the income payable at retirement.

The charges to implement the recommended pension share have not been included in our figures. The Rolls-Royce Pension Scheme will charge a fee of £900 for the implementation of the pension sharing order.

BlueSKY are able to assist with the implementation of a pension sharing order but this will be regarded as a separate instruction with separate costs. The costs will be dependent on the work required and are available on request.

Data included for Pension Sharing

XXXXXX XXXX

Date of Birth: XX/12/1967

Smoker: No

Health: Good

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Scheme | Shell UK Pension Fund | Shell Overseas Pension Fund | Rolls-Royce Pension Fund | BG Group Stakeholder Pension |
| Plan/Member Number | XXXX | XXXXX | XXXXX | XXXXX |
| Fund Value | N/A | N/A | N/A | £214,366 |
| CE Transfer Value | £355,007 | £853,261 | £20,582 | £214,366 |
| Date of Value | 10/10/2017 | 10/10/2017 | 17/10/2017 | 29/06/2017 |
| NRD | 60 | 60 | 65 | 65 |

XXXXXX XXXXX

Date of Birth: XX/10/1966

Smoker: No

Health: Good

|  |  |  |  |
| --- | --- | --- | --- |
| Scheme | Local Govt Pension Scheme | Teachers’ 80ths Pension Scheme | Teachers’ CARE Pension Scheme |
| Plan/Member Number | XXXXX | XXXXX | XXXXX |
| CE Transfer Value | £31,612 | £11,512 | £3,804 |
| Date of Value | 03/10/2017 | 13/09/2017 | 13/09/2017 |
| NRD | 65 | 60 | 67 |

Information Sources

The information used for our calculations has been taken from the following sources:

* Assureweb website – current annuity rates for a 60 year old on a single life basis escalating @ RPI
* Teachers’ pension Scheme – in their letter dated 13th September 2017
* Local Government Pension Scheme – in their letter dated 3rd October 2017
* BG Group Retirement Benefits Plan – in their letter dated 23rd October 2017
* Rolls-Royce UK Pension fund – in their letter dated 24th October 2017
* Shell Pension Fund – in their letter dated 10th July 2017 and subsequent email dated 31st October 2017

We have also obtained additional information over the telephone or by email where required from the various providers / schemes.

Copies of the above correspondence are available on request.

Notes

1. For ease of comparison, figures quoted are in today’s terms and thus have been adjusted by inflation.
2. Incomes quoted are indexed in payment in line with RPI unless otherwise stated.
3. Incomes shown are gross (i.e. before deduction of income tax).
4. Other charges may be incurred by Mrs XXXX in transferring her pension credits into an alternative pension arrangement. These have not been taken into consideration in the figures within this report.
5. We strongly recommend that a draft order is sent to the scheme administrators for their comments and approval before any final order is made by the court. Please note it is likely that the scheme will charge for this work.

Assumptions:

1. Investment growth (where relevant) is assumed to be 5% p.a. after charges.
2. Inflation is assumed to be 2.5% per annum.
3. All incomes are assumed to be indexed at 2.5% per annum unless otherwise stated.

These assumptions are in line with actuarial and financial services economic forecasts and deemed reasonable and impartial.

# Methods of pension division on divorce

Pension Sharing

Pension Sharing can only be used on Divorce, it cannot be used on Judicial Separation whereas Attachment Orders can be used on both Divorce and Judicial Separation.

If either party has commenced drawing benefits from their pension scheme, the recipient of a pension share will not be able to take a tax free lump sum from the transferred pension fund. This does not affect the entitlement to lump sums from other pension schemes.

Offsetting

The value of the pension rights is used as an asset to be taken into consideration in sharing other marital assets.

This means that cash may be taken in lieu of pension benefits. The use of this cash is not restricted but may be paid into a pension fund if the circumstances of the recipient allow. Given the tax relief available on pension contributions, £1 inside a pension can be equated to £0.80 outside a pension for a basic rate tax payer. This is a mathematical fact only and does not take into account any other argument relating to the value of cash versus pension fund.

When Offsetting, the Courts will sometimes recognise that cash in hand has greater value than a future income payable over an extended period. This is referred to as the “utility” argument. It has been known for Courts to give a higher proportion of the total assets to the partner who is receiving the pension assets (and therefore an income) than to the partner receiving cash, who therefore has complete flexibility about how to dispose of it.

Periodical pension payments are taxed as earned income. This means that the full amount of the pension payment is not received by the member as a proportion of each payment goes to the Inland Revenue. The value for Offsetting purposes could therefore be adjusted to allow for the tax that would have to be paid on these pension rights.

Attachment Orders

Attachment Orders would specify a percentage of the pension payments and/or lump sums to be passed to an ex-spouse.

When the Orders are in force, the agreed proportion of the net periodical pension payments and cash sums will be diverted to the nominated ex-spouse.

The original member retains control over this and therefore the benefiting ex-spouse is dependent on the member for when they receive these payments.

The recipient will receive exactly the same amount in pension that the member gives up.

The Orders cease on the death of either party.

The Orders cease if the recipient re-marries.

Attachment Orders can be varied after divorce.

We would not usually recommend Attachment Orders. This is primarily because they cease on re-marriage or death.

Duty to the Court

Where this report is on behalf of the Court I understand my duty to the Court to assist the Court on matters within my own expertise and that this duty is owed exclusively to the Court and overrides any obligation to the persons from whom I have received my instructions or by whom I have been paid. I confirm that I have complied with these requirements and will continue to do so.

I am aware of the requirements of Part 25 of the Family Procedure Rules 2010 and Practice Direction 25A, as well as Part 35 of the CPR and Practice Direction 35 (including the annexed Protocol) and the practice direction on pre-action conduct.

Conflicts of interest

I confirm that I have no conflicts of interest of any kind, other than any conflict disclosed in the report and that I do not consider that any interest disclosed affects my suitability as an expert witness on any issue on which I have given evidence.

This is a joint instruction case and I have been given specific instructions as to the scenarios to be covered, including assumptions where indicated in the body of the report. Where it has been necessary for me to make assumptions concerning matters on which I have not been given specific instructions, these have been made as if I were acting as a Single Joint Expert, using wherever possible standard default assumptions which I would make in such cases.

Statement of Truth and Qualifications

This report has been produced by an Independent Financial Planner who is authorised and regulated by the Financial Conduct Authority.

I confirm that I have made clear which facts and matters referred to in the 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 matter to which they refer.

I am fully qualified to provide advice pertaining to pension sharing matters and pension transfers. Relevant qualifications are Advanced Financial Planning Certificate G60 (Pensions). I am also an accredited member of Resolution.

**Rob Starling CFP, APFS**

**Pension Transfer Specialist & Chartered Financial Planner**

Data Required for Pension Sharing Annex (Section C)

On the understanding that the Pension Sharing Order will be implemented as outlined in my report, the data required for Section C is shown in the table below.

|  |  |  |  |
| --- | --- | --- | --- |
| **Name of the Arrangement** | **Address of the Pension Arrangement** | **Reference Number (and other appropriate details)** | **Specified Value of Members CEV to be Transferred** |
| BG Group Retirement Benefits Plan | Fidelity Pensions Service Centre Beech Gate Millfield Lane Lower Kinswood Tadworth Surrey KT20 6RP | XXXXX | 100% |
| Rolls-Royce UK Pension Fund | PO Box 31, Derby DE24 8BJ | XXXXX | 100% |
| Shell Contributory pension Fund | Shell Centre London SE1 7NA | XXXXX | 100% |

The pension share is not arising from a pension scheme which is subject to the Pension Protection Fund (PPF).