


Institute
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# Pensions on Divorce: Minimum Good Practice, Defaults and User Guide

By The IFoA Pensions on Divorce Working Party

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# 1. Introduction

For convenience, this document repeats the proposed Minimum Good Practice (MGP) guide, defaults, and guide to their use from the Institute and Faculty of Actuaries (IFoA) Pensions on Divorce Working Party full report dated 12 October 2026. It should be read alongside the full report.

The MGP, defaults and this user guide reflect the views of the IFoA Pensions on Divorce working party. They are not actuarial standards or guidance of the IFoA or Financial Reporting Council (FRC).

**We encourage all PODEs to state in their reports whether they have followed the MGP and defaults. We encourage solicitors to include a requirement to follow the MGP in their letters of instruction.**

# 2. Minimum Good Practice

The following points set out the IFoA Pensions on Divorce working party's view of elements of minimum good practice for PODEs.

1. PODEs must have regard to the Pension Advisory Group (PAG) guidance. Where PODEs depart materially from a PAG recommendation, they should highlight this to the user and document the reason for departures.

2. Within any single PODE report, the PODE must use a single, consistent basis for equality of income, equality of capital, and independent expert values, unless this would be disproportionate or any difference would be immaterial.

3. Subject to instructions received, the basis must reflect market conditions at a recent date. The basis should reflect the estimated cost of achieving the relevant benefits through a private arrangement.

4. The PODE must not use the Cash Equivalent Value, or any other measure, as the Independent Expert Value unless that measure materially satisfies the requirements of paragraphs 2 and 3.

5. Where reporting equality of income calculations, PODEs must state the equalisation age or equalisation date from which income is compared or equalised. The period of equalisation must be from that age or date for life.

6. The PODE's report must highlight the existence of retirement benefits commencing at different ages or times, including lump sums, pensions and temporary benefits.

7. If any of the member's retirement benefits are excluded from equality of income, equality of capital or independent expert values (for example, if one of the parties will receive pension or lump sum payments prior to the equalisation age and these are excluded), this must be highlighted to the user. The PODE must make clear that these excluded benefits will not be reflected in the settlement unless a separate allowance is made.

8. For all retirement benefits in scope of equality of income, equality of capital or independent expert values, allowance must be made for the different rates at which pensions (or parts of pensions) increase, both before and after retirement, the different ages or dates at which pensions begin, and the temporary nature of some pensions, step-ups and other adjustments during the retirement period. An equality of income calculation should convert all the pensions increasing at different rates or starting at different ages or times into notional comparable incomes based on their lifetime equivalent value so that they can be directly compared.

9. The PODE should use the standard summary template for PODE reports, adapted as appropriate.

10. The PODE should use the MGP terminology. Other terms with the same or similar meaning should be avoided.

11. Where complying with a letter of instruction would lead to a report that is materially incomplete or otherwise misleading, the PODE must ensure that the instruction is amended appropriately or consider whether they must decline the instruction.

12. The PODE report should prominently include the statement “This report complies with the IFoA Pensions on Divorce Working Party Minimum Good Practice guide.”

**Definitions**

- **Pensions on Divorce Expert (PODE):** An IFoA member engaged to undertake pensions on divorce work in scope of APS X3.
- **Basis:** A set of assumptions used by the actuary in respect of items such as current and future mortality rates, investment returns, inflation, and annuity prices.
- **Cash Equivalent Value (CEV):** The value of pension rights calculated as required by the Pensions on Divorce etc. (Provision of Information) Regulations 2000.
- **Independent Expert Value (IEV):** A capital value calculated by the expert for the purpose of equality of capital or offsetting.
- **Notional comparable income:** A single figure, per pension or per party, representing the annual income received from the equalisation age (or date) for life taking into account different escalation rates and different periods of payment. The figure used to enable consistent comparison between incomes for the purpose of an equality of income calculation.
- **Recent date:** The PODE’s judgement of a suitable recent date.
- **PAG recommendation:** Any issue on which the Second Report of the Pensions Advisory Group sets out a definitive position which it recommends PODEs follow.
- **Equalisation age:** The starting age for an equality of income calculation for life.
- **Equalisation date:** The starting date for an equality of income calculation for life.

# 3. Proposed defaults

**This section sets out a pragmatic default approach for selected aspects of a PODE calculation. It does not seek to prevent PODEs from using other approaches that were described as acceptable in the PAG guide. The letter of instruction may also require additional calculations or different approaches which override this default.**

PODEs and instructing solicitors departing from this default should consider whether it is proportionate and in the overall best interests of the parties to do so. A reasonable test is "Does the PODE have any strong reason to believe that using the default would result in a materially unfair outcome?"

This default does not prescribe a financial and mortality basis. Consistent with Minimum Good Practice, the basis must be market related. The choice of assumptions remains a matter for the PODE's judgement, subject to the guidance provided in the PAG guide and considering the PAG guide Appendix Q as a starting point.

1. Each set of results will be expressed in terms of an equalisation age. Equalisation of income will be calculated for life from that age onwards with pensions having different increase rates or different start ages or dates converted to a notional comparable income, i.e. a single lifetime equivalent.

2. In general, the letter of instruction should specify the equalisation ages and assumed retirement ages. Where the letter of instruction is silent on this, the PODE should normally seek clarification. Where the letter of instruction asks the PODE to advise on this, the PODE will select the equalisation age or ages and the assumed retirement ages that in their best judgement are appropriate for the facts of the case. If selecting equalisation ages, the PODE should consider whether one or more equalisation ages should be shown. A single equalisation age will be appropriate in many but not all cases; where a scheme provides materially different outcomes at different retirement ages, showing more than one age may assist the parties, subject to the departure test noted above.

3. The following benefits (pensions and lump sums) will be included:

    a. All retirement benefits from the equalisation age onwards.

    b. Retirement benefits received after the calculation date and before the equalisation age: Excluded from the PODE analysis and highlighted in line with MGP 7.

    c. For the calculation of offsetting values, the benefits valued are those that are expected to be received by the party who will receive those benefits. The benefits are not the hypothetical benefits that would be received if they were shared.

    d. No allowance for contingent spouse's benefits or death benefits.

    e. Where (public service) pension benefits have been subject to the McCloud remedy, the pension benefits considered are those that give rise to the CEV that has been calculated in line with the relevant legislation and/or GAD guidance.

    f. No allowance for GMP equalisation other than any equalisation solution already in place.

g. Where benefit statements for defined benefit schemes are materially out of date: Retirement benefits will normally be rolled forward to the calculation date using historical data. Updated Cash Equivalent Values for public service schemes will normally also be estimated. Where other Cash Equivalent Values are materially out of date, updates may need to be requested from the scheme.

4. The default range of calculations is:

    a. Equalisation of income is included.

    b. Offsetting is included if it is required by the letter of instruction.

    c. Equalisation of capital is included where the letter of instruction requires it.

5. Apportionment:

    a. Defined benefit pensions: The straight-line method of apportionment is the default. Accrual and service history should normally be requested and allowed for where material.

    b. Defined contribution pensions: Allow for timing of contributions (and in particular historic transfers and significant lump sum contributions), if the information is available, with an internal rate of return. Use the straight-line method only if this is not possible or the choice is not material.

6. Pre-retirement mortality: Mortality is assumed to be zero before retirement.

7. Offsetting:

    a. Value the actual member benefits (as discussed at 3b), not hypothetical shared benefits.

    b. Calculate the capital value of the difference in income, not the difference in capital values. Schedule of assets values are not provided unless these are specifically required by the letter of instruction.

    c. Make an appropriate allowance for tax of pension benefits in retirement, making allowance for higher rates of taxation where appropriate and also considering the extent to which some benefits may be paid tax-free.

8. The PODE will point the user to a generic explanation of the methodology adopted for deriving the assumptions, the assumptions themselves, and how results depend on the main assumptions. This might be on the PODE's website or a standard appendix. Case-specific sensitivity analysis will not normally be provided, but the PODE will indicate where, in the particular case, the result is materially sensitive to a key judgement.

9. No allowance for parties' individual circumstances such as risk appetite wider tax position, or their stated preferences for retirement or lump sum options.

10. Allowance for state pensions only if they are material and it is proportionate to make an allowance.

# 4. User Guide for MGP and defaults

### 8.1 Purpose and status

These notes explain how the proposed technical Minimum Good Practice (MGP) guide and defaults are intended to be read and applied. The MGP guide and the defaults are deliberately short; this companion supplies the explanation and the practical judgement that sits behind them. Nothing here overrides the letter of instruction or a PODE's professional obligations.

The MGP, defaults and this user guide reflect the views of the IFoA Pensions on Divorce working party. They are not actuarial standards or guidance of the IFoA or FRC.

We encourage all PODEs to state in their reports whether they have followed the MGP and defaults. We encourage solicitors to include a requirement to follow the MGP in their letters of instruction.

### 8.2 Intended level of compliance

By analogy with actuarial standards, we use the following terminology in the MGP and defaults:

- **"must" (MGP):** Practice which we believe it is appropriate for PODEs to meet in all circumstances.
- **"should" (MGP):** Practice from which a PODE might depart depending on the circumstances, but this would be unusual and we would expect the PODE to document the reasoning.
- **"default":** This term is much weaker. It is simply what we suggest a PODE does in the absence of any compelling reason to depart. It is not the single "right" answer and does not constrain a better approach where one is materially more appropriate.

A reasonable test for defaults is: *"Does the PODE have any strong reason to believe that using the default would result in a materially unfair outcome?"* The view of the majority of the working party is that if the answer is "no", then it will normally be appropriate to proceed with the default.

The MGP and defaults do not specify a technical basis. The MGP requires the basis to be market-related, but the choice of assumptions remains a matter for the PODE's judgement.

### 8.3 Using the MGP

- **PAG guidance (para 1).** As set out in the definitions, we take a PAG recommendation to be any issue on which the Second Report of the Pensions Advisory Group sets out a definitive position which it recommends PODEs follow. Where PAG lists various acceptable approaches, this is a PAG recommendation but using any one of those approaches would comply with the recommendation.
- **A single consistent basis within one report (para 2).** This means that, within a single report, the PODE uses one basis. It does not mean that every PODE must use the same basis, and it does not require single-rate assumptions. A yield curve, or a market annuity price, is fine, provided it is applied consistently between the parties.
- **Market-related basis and recent date (para 3).** The basis must reflect market conditions at a recent date and the estimated cost of securing the benefits privately. In the definition of a "recent date", we do not specify how recent it should be. The working party would expect numerical parameters, such as annuity rates, should be refreshed in line with market data at least every three months, ideally monthly. Full methodological reviews do not need to be as frequent, for example once a year may be reasonable. A significant market event (for example

a sharp move in gilt yields) should prompt the PODE to consider whether the basis still holds, whatever the normal review cycle. Where a significant market movement occurs which could invalidate previously issued reports where the case has not been settled, the PODE should consider alerting users to this movement.

- **Achieving the relevant benefits through a private arrangement (para 3):** The basis used by the PODE should be consistent with the cost of securing or achieving those benefits privately, i.e. the basis should not only be market-related, it should be market consistent. This could mean annuitisation or drawdown is assumed.

- **Use of the CEV (para 4):** As described by PAG, it will sometimes be appropriate to use the CEV on proportionality grounds. There may also be circumstances where it does not differ materially from the PODE's own Independent Expert Value Calculation. However, in general it should be expected that the CEV is not appropriate for use as the IEV.

- **Equalisation age or date and benefits with different start dates or rates of increase (paras 5 and 8):** The PODE must state clearly the age or date from which income is compared or equalised (whether specified in the letter of instruction or left to PODE discretion). Where all pensions are in payment and increase at the same rate, equalisation of income at a point in time would be the same as equalisation over the full period. Otherwise, they are likely to be materially different. The comparison must take into account the full period from the equalisation age (or date) onwards, not just equalisation of income at a single point in time. In particular, if there are different rates of increase, or if benefits are not paid for the full period after the equalisation age (or date), this must be reflected in the comparison in line with paragraph 8. For example, if the equalisation age is 65, a £10,000 annual pension from 65 with no increases must result in a lower notional comparable income than a £10,000 pension from 65 with fixed 5% increases. Similarly, if the equalisation age is 60 but a pension only starts at 65, then the notional comparable income in respect of that pension must not be zero, but must be strictly lower than the notional comparable income of a pension that starts at 60 with the same increases.

- **Timing of benefits (para 6):** Equalised incomes reported by PODEs are often notional figures for summary comparison purposes. It is important to make clear to users the actual timing and form of benefits.

- **Benefits excluded (para 7):** It is essential that PODE reports make clear which benefits are in scope of their analysis and which are not. For example, it may be legitimate to exclude benefits paid between the calculation date and the equalisation age (or date) or to exclude lump sums. However, if this is done, it is essential to state prominently to the reader that, if these benefits are not allowed for separately in the settlement, they will not be allowed for at all. The PODE would usually be expected to advise the parties how such a separate allowance could be made.

- **Standard template (para 9):** To help users of multiple reports, we encourage the use of the standard summary template.

- **Terminology (para 10):** PODEs are encouraged to adopt the terms "cash equivalent value", "independent expert value", "notional comparable income" and "equalisation date/age" defined in the MGP. The use of a wide variety of terms for capital values by different PODEs can lead to confusion among users and there is no clear correlation between terms and differences in underlying methodology. For the purposes of the MGP and defaults, we define a PODE as an IFoA member doing work in the scope of APS X3. We encourage PODEs in the wider, non-IFoA sense to adopt these approaches, too.

- **Letter of instruction (para 11):** The FRC Reliability Objective underpinning the Technical Actuarial Standards is that users can place "a high degree of reliance on the relevance, transparency of assumptions, completeness and comprehensibility" of actuarial information. If a letter of instruction requires the PODE to omit a known material matter or would otherwise lead the PODE report to be misleading, this objective would not be met. The case Lewis v Cunningtons Solicitors (2023), while not directly applicable, held that the solicitors were negligent for not advising in relation to pensions even in the presence of a disclaimer. It seems prudent, and in line with actuarial standards, for PODEs to ensure they take reasonable steps to allow for all material matters. For example, a letter of instruction which says that only CEVs must be used may be unacceptable, depending on the facts of the case and the materiality of that point. Another example is where PODEs are asked to update an earlier report to reflect only specific, limited new information such as a data correction. If, for example, market conditions have also changed materially, PODEs should consider whether or not it is necessary to update the financial assumptions in addition.

### 8.4 Using the defaults

The defaults represent what we suggest a PODE does in the absence of any compelling reason to depart from the default. It is not the single “right” answer and does not constrain a better approach where one is materially more appropriate. A PODE should not spend disproportionate effort justifying a departure that is plainly appropriate. We have the following comments on specific paragraphs from the defaults, including some non-exhaustive reasons which might lead PODEs to depart from the defaults:

- **Equalisation ages (paras 1 and 2) and retirement age:** We suggest defaulting to an equalisation age, rather than an equalisation date or multiple equalisation ages or dates. Similarly, for simplicity, we propose, by default, limiting to a single retirement age for each party or each pension. Circumstances where it may be appropriate to depart include:

- **Benefits payable before the equalisation age.** These are common with uniformed public service schemes. Minimum Good Practice suggests highlighting these benefits, especially if they are not included in the analysis. Where it would help, the PODE might offer calculations at more than one age. However, all parties should avoid any more scenarios than necessary.

    - **Schemes sensitive to retirement age.** Where a scheme (for example the Police Pension Scheme) produces materially different outcomes at different retirement ages, consider showing more than one age.

    - **Particular circumstances of the couple and the wider financial settlement in contemplation might give rise to an equalisation date instead of an equalisation age:** For example, where maintenance is being agreed to the payer's retirement age on the basis that at that stage it is envisaged both parties will draw their respective pensions then equalisation from a single point in time may well be appropriate. However, this will normally be a matter covered by the letter of instruction which overrides any defaults. It is not a position that the PODE is likely to come to independently.

- **Benefits valued (para 3):**

    - **McCloud Remedy (para e):** An example of where this default might be departed from is if, in the view of the PODE, this could exceptionally result in an outcome that could be less favourable to the member overall. For example, the availability and size of Early Departure Payment (EDP) benefits could impact on McCloud decision making on Armed Forces cases but is ignored when simply comparing Armed Forces CEVs.

    - **Updating benefits (para g):** It is for the PODE to judge what it means for benefits to be materially out-of-date. It may or may not be appropriate to estimate private sector DB CEVs noting that the scheme is likely to charge to provide updated CEVs more frequently than annually. In particular, PODEs should consider whether the use of historic private DB sector CEVs more than 12 months old may be inappropriate, for example where there have been material movements in the financial markets since the latest CEV was prepared. In all schemes, the PODE should consider updates where the member may have accrued material extra benefits since the CEV date.

- **Default range of calculations:** In common with the rest of the defaults, we lean towards a minimal range of calculations. We propose that, unless specified otherwise, it will normally be appropriate to include equality of income calculations as a minimum. Equality of capital calculations and offsetting calculations can, of course, also be included if required. These defaults do not imply that the PODE should add in equalisation of income if the letter of instruction says only to consider equalisation of capital – they should not.

- **Offsetting (paras 3c, 7):** PAG specifies that the benefits to be valued in offsetting will normally be the actual benefits to be received and we echo this in paragraph 3c. Having established the benefits to be valued, there are broadly two main approaches to arriving at a gross offsetting figure (i.e., the figure before any tax and utility adjustments):

    - **Approach 1:** Calculate the capital value of each pension based on the details of the member that holds that pension. The gross offsetting value is the difference between the two parties' capital values.

    - **Approach 2:** Calculate the notional shortfall in retirement income, i.e. how much lower the total notional retirement income will be for one party versus the other. The gross offsetting value is the capital value, from the perspective of the party with the lower income, of that income shortfall.

These will give different results if the parties are not the same age. **Approach 2** is consistent with equality of income calculations and is an estimate of the sum of money the party with the lower income would need to be able to top up their benefits to the same level as the other party. This is intuitively what an offset means in the context of an equality of income calculation. Since we propose providing equality of income calculations by default, we propose providing **Approach 2** offsetting figures by default, if offsetting figures are also required.

**Approach 1** is consistent with equality of capital and sits most naturally if that is the approach considered. If both equality of income and equality of capital figures are provided, it may be appropriate to provide both sets of gross offsetting figures, i.e. one under each of **Approach 1** and **Approach 2**. However, this can be confusing if the difference between the results under each approach are not adequately explained.

We do not propose providing schedule of assets figures by default because these are effectively always **Approach 1**. This can be confusing for users because they will not reconcile to an **Approach 2** offsetting figure. If the pensions figures in the schedule of assets are netted off against one another, they will result in the **Approach 1** figure, not the **Approach 2** figure.

PODEs should also give careful consideration to the choice of tax assumptions in offsetting calculations, particularly where either or both parties may be subject to tax rates other than the basic rate on part of their pension income in retirement. While we do not propose it as a default, PODEs might also make an appropriate allowance for tax on the notional investment returns of the offset amount in the hands of the spouse.

- **Sensitivity and key judgements (para 8):** TAS 100 (5.5) requires the report to "indicate the nature and extent of any material uncertainty". We propose that by default PODEs should not include case-specific sensitivities to comply with this, but should comment on key uncertainties, including indicating the impact where appropriate. However, indications of impact might not be quantified (where this is defensible under actuarial standards) or might be quantified through generic information such as "The range of alternative methods could affect offsetting figures for a person aged X by up to around Y%".

- **No allowance for individual circumstances such as risk appetite, wider tax position or planned retirement options (para 9):** We do not mention allowance for individual health in this default. An example of where it may be appropriate to allow for health is where a party suffers from a confirmed, life-limiting health issue. A second example could be where height, weight, and smoking history can be justified as valid input criteria to determine market annuity rates, where this data is available. Otherwise, we propose that by default there is no allowance for individual health. By default, we propose that PODEs will not allow for individuals' wider tax position such as their non-pensions assets or any plans to continue in employment in retirement. Therefore, allowance for tax in offsetting figures would be by default to allow only for the tax on pensions excluding other assets and income.

- **State pensions (para 10):** The letter of instruction will generally set out whether state pensions are to be included or excluded in the PODE analysis. The default in paragraph 10 is relevant when the PODE is given discretion on whether to include them.

  PAG states that where state pension entitlements differ by over £20 a week, a PODE report may be necessary. If a PODE report is commissioned, considerations relevant to the materiality of state pensions may include the following, but these are not intended to be exhaustive or fixed rules:

  - In favour of exclusion:

    (i) Both parties have full or near-full National Insurance (NI) records

    (ii) Both parties are relatively young, for example under 40, and are likely to receive full state pensions (subject to future pension policy).

    (iii) Where state pensions are not material in context, for example in some bigger money cases.

    (iv) Speed and cost of advice may be relevant considerations, subject to MGP 11.

  - In favour of inclusion:

    (i) Men born before April 1951 or women born before April 1953 will have more complicated state pension benefits which may be shareable.

    (ii) Where clients specifically request a more detailed or comprehensive approach to the report.




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