

## How is the value of your pension share calculated?

During your divorce negotiations both you and your spouse will have obtained a valuation for each of your pensions. The date of this valuation must be within 12 months of the hearing date.

Clients will often rely on this figure as the value of the pension that is to be shared. They apply the sharing percentage and assume this represents the share they have been awarded. They are therefore confused if the pension share they receive at a later date is a different amount. For example, if your ex-husband has a pension of £100,000 and you are awarded a 50% share, you would automatically assume your share would be £50,000. However, this is incorrect.

## How the pension share is calculated

The initial valuation provided for your disclosure purposes is simply the value of the pension on a specific date (known as the **valuation date**.) This is used as a guide when agreeing the finances. Think of it in the same way that the value of your house will increase or decrease over the period of your negotiations.

The pension value you actually receive will depend on two further dates: the transfer day and the valuation day.

The **transfer day** represents the effective date of a pension sharing order. This is the later of 28 days after the order is awarded or the date of the decree absolute if later. This date signifies the date when benefits stop accruing.

What this means is that if the pension is a defined benefit salary the pension share will be based on service and salary as at the transfer date. If the pension is a defined contribution pension, any contributions after transfer date will be excluded.

Similarly if the pension is in drawdown, any payments made from the pension post transfer date need to be added back for the calculation.

The **valuation day** is a date within four months of the administrator receiving all the necessary documentation and necessary fees. This is the date when the fund is actually valued in order to be transferred to the spouse.

In other words, pension administrators will look at the unit holding on transfer day, and then apply the unit price on valuation day.

The amount you receive will not be known until it is actually ready to be transferred to you. For a defined contributions scheme the value you receive depends on stock market values on valuation day. For a defined benefit scheme the value depends on assumptions regarding annuity rates, mortality rates, inflation and investment returns at valuation day.

It is important for each spouse to be aware that if there is a delay in implementing the order, neither party will gain or lose out from any contributions into a defined contribution scheme post transfer day or any increase in salary or service post transfer day in a defined benefit scheme.



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