



**Neil Hewitt**

## CAN WE ALWAYS TRUST THE CETV?



**Gary Riches**

### A Recent Example

A case arose where a client, a teacher, needed to obtain the CEV of his pension from the Teachers' pension scheme. He asked: "Which one?"

The obvious response is "The correct one", but of course it is not as simple as that.

In this case the client was a Head Teacher, who had recently gone back to classroom teaching, with a consequent change in salary. The Teachers' pension scheme was offering two processes.

Option 1 - An estimated CEV based in the information they currently have on record. This could be provided reasonably swiftly, without charge.

Option 2 - a Full CEV which may take three months to provide, also without charge.

Clearly, for the client, the second option was less attractive. But he could not know that pension scheme employment and earnings records are often a little out of date. Schemes may not yet have been informed of changes in working hours, or salary. This information may be updated on an annual basis. In this case, the estimated CEV could well have been incorrect and unreliable as a basis for a financial settlement in divorce. If this estimate had been provided and subsequently a full CEV was needed, this would have led to delays and, as a second request within the same 12 month period, the client would be charged for the second CEV.

Three months is a long time to wait, though, so why does it take so long?

In fact it is not just bureaucratic inefficiencies. As with the NHS scheme, the Teachers' pension scheme's standard approach is to issue a Pensions on Divorce pack to the member. This includes a form for the member to partially complete, then pass to their employer, who adds more information and passes the form to the scheme. This enables the scheme to calculate a CEV based on the most up to date data, but it can be time consuming, especially if employers do not complete their part as swiftly as they might.

It may well be the view that actuarial reports, like icebergs, are merely the visible part, with a great deal of work going on out of sight. This is true, but often clients are unable to appreciate just how much work is required to produce a professional report, and how important this work is and why an actuarial report may be our choice, even where it could be produced more cheaply by other technical experts.

Let us consider why.

When producing expert witness reports, actuaries are obliged, like any other expert, to comply with the relevant Court rules and practice directions. Actuaries are also bound by the Code of Practice of their own professional body. In many cases this places obligations on an actuary beyond those that would be required of another expert.

As an example, an actuary is under a professional obligation to make checks to satisfy himself or herself that the data used in actuarial calculations is reasonable. In scheme calculated

CEVs where the calculation basis is known, as it is with the public sector pension schemes, the actuary is likely to reconcile the CEV against all other available data.

This is not always as simple as it might seem.

### Another Example

In another recent case, the Actuaries could not reconcile the scheme calculated CEV with the other data. They suspected the calculation tables and factors had been incorrectly applied, and raised concerns with the scheme. This failed to resolve the matter. The actuaries were under a professional obligation to raise the point with the scheme actuary. It eventually transpired that the scheme had been incorrectly applying the calculation approach set down by the scheme actuary. Appropriate corrective action was then taken.

This clearly illustrates that, as with many things in life, price and quick turnaround are not necessarily the best indicators of quality.

If you are in doubt or need guidance, please contact us and we can help you determine if an actuarial report is appropriate and if so assist with the instructions.

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