

Divorce and your pension – what to expect

This document has been prepared to help you understand how your pension might be affected if you divorce or dissolve a civil partnership.

Valuing your assets

- Your pension benefits could form a considerable proportion of your matrimonial assets.
- Find out how much your pension benefits are worth.

Splitting your assets

- Find out how you could split your pension assets.
- Pension Sharing on Divorce – Who does what and when?

Moving on

- Do you need to take steps now to save more?

You should note that this is a general guide and is not a legal document. It should be read in conjunction with the Scheme booklet. If there is a conflict between this guide and the Rules of the Scheme, the Rules will prevail.

This guide is not a full statement of the law which governs the Scheme, and members are advised to take independent financial advice on the options available to them.

Valuing your assets

- How do I know how much my pension is worth?

Your pension benefits may be worth a considerable amount of money.

You can request a 'Cash Equivalent Transfer Value (CETV) for divorce purposes' from the Scheme's administrators, XPS Administration, which will tell you the capital value of your benefits. Contact XPS Administration to request a 'CETV for divorce purposes'.

It may take around four weeks to calculate your 'CETV for divorce purposes'.

If you have not drawn your pension you are entitled to one free 'CETV for divorce purposes' every twelve months. If you require a second CETV within 12 months, you will be required to pay a fee. Please see the Schedule of Charges for divorce (available from XPS Administration).

If you have drawn your pension, and require a 'CETV for divorce purposes' you will be required to pay a fee. Please see the Schedule of Charges for divorce (available from XPS Administration).

Splitting your assets

- **How could my pension assets be taken into account on my divorce?**

There are three ways that you can take your pension benefits into account in your divorce settlement.

Offsetting

One party might have the rights over property and investments while the other; business and pension.

Preferred method of coming to an out of court settlement.

Pension sharing

Court order to split pension benefits between two parties.

Earmarking

Court order requiring a portion of your pension benefit be paid to your ex-spouse on your retirement or death.

This option is rarely used as the benefits due to your ex-spouse could be on shaky ground if you remarry or die.

Your 'CETV for divorce purposes' will give you the capital value of your benefits to use in your calculations.

Offsetting

- **How does offsetting work?**

If you decide to offset your pension benefits against matrimonial assets, your pension will continue as normal.

Pension Sharing

- **How does Pension Sharing work?**

When the Court orders pension benefits to be shared, your ex-spouse is allocated a percentage (up to 100%) of your benefits. Your benefits are reduced accordingly and your ex-spouse will hold pension benefits in his/her own right, independent of you. This allows a clean break.

The Court will serve a Pension Sharing Order to the Scheme. There are Scheme charges for implementing a Pension Sharing Order and these are detailed in the Schedule of Charges for divorce (available from XPS Administration). The 'Who does what and when?' chart later in this guide explains more about the pension sharing process.

- **I have not yet retired. What will a Pension Sharing Order mean for me?**

Your pension benefits will be reduced by the percentage allocated to your ex-spouse. This is known as a 'pension debit'.

The 'pension debit' takes into account your benefits accrued up to the calculation date.

The Pension Sharing Order must be implemented within four months of receipt of all the necessary information and documentation required to implement the Pension Sharing Order, including the payment of any fees.

Any benefit you build up after the calculation date will not be affected by the Pension Sharing Order.

At retirement the 'pension debit' will be increased roughly by the rise in inflation between the date the 'pension debit' was first calculated and your retirement date. Your pension benefits will be calculated as if you do not have a 'pension debit' and then the relevant 'pension debit' will be deducted from your pension.

For example, your pension at the 'pension debit' calculation date could be £10,000 per annum, and the Pension Sharing Order could be for 50% of your benefits. This would provide a 'pension debit' of £5,000 per annum i.e. 50% of the value of your pension.

At retirement, the 'pension debit' could have increased to £6,000 per annum but your total pension benefits (not taking into account the 'pension debit') could have increased to £18,000 per annum because of revaluation and your extra service in the Scheme.

Therefore at retirement you would receive a pension of £18,000 less £6,000 = £12,000 per annum.

On your death, if you have remarried, a Pension Sharing Order will reduce the widow/er's benefit payable to your new spouse.

- **How will a Pension Sharing Order affect my former spouse?**

Your ex-spouse will be entitled to a transfer from the Scheme equal to the allocated percentage of your pension benefits.

This lump sum amount will need to be transferred to a pension scheme of his or her choice.

Your ex-spouse will be able to draw their pension benefits from age 55 onwards. They will not have to draw their pension benefits at the same time as you.

At retirement they will be able to convert up to 25% of their fund into a cash sum (currently tax free), and receive the remaining fund as an annual pension, taxed cash or put it into a drawdown product.

- **I am a pensioner. What will the Pension Sharing Order mean?**

The pension you are receiving at the date of your Pension Sharing Order will be reduced by the percentage allocated by the Court to your former spouse.

On your death, if you have remarried, the pension payable to your new spouse will be reduced by the Pension Sharing Order.

- **I am a pensioner. How will the Pension Sharing Order affect my former spouse?**

Your ex-spouse will receive a pension directly from the Scheme. They will usually start to receive this within four months of the Pension Sharing Order. They will be unable to convert any of their pension for a cash lump sum.

Earmarking

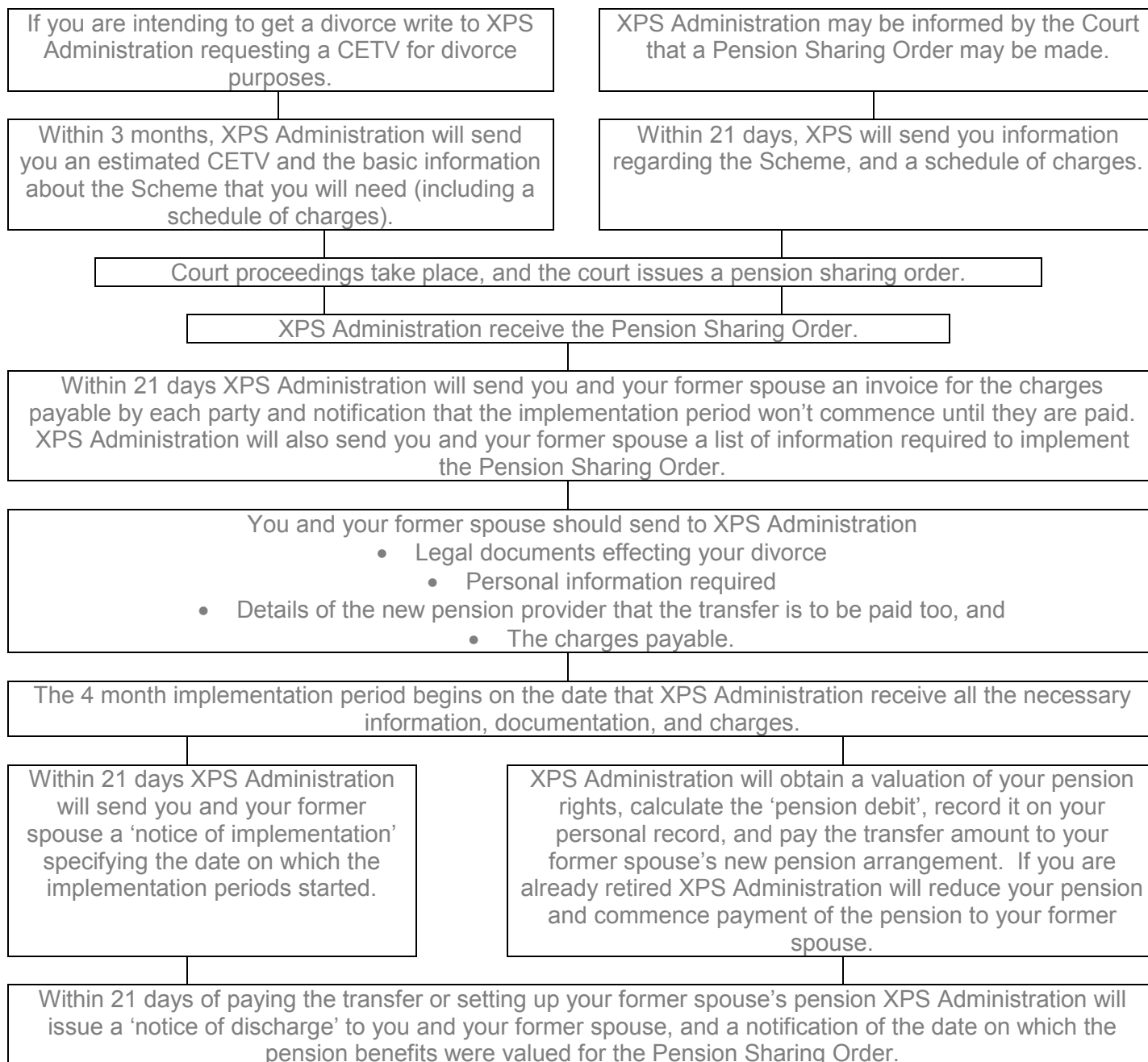
- **How does Earmarking work?**

Earmarking is a term used to describe special attachment orders which are made by the Court. When an Earmarking Order is made your pension still remains yours, but the Scheme is required to make some form of payment to your former spouse when/if your benefits come into payment. This could be a proportion of your pension or any death in service lump sum.

When you apply to draw your pension benefits, or if you die in service and your death in service benefits were earmarked, XPS Administration will contact your former spouse to ensure that the earmarking order is still valid. XPS Administration will arrange for payment to be made to your former spouse.

The Scheme will ask you and your former spouse to cover the costs relating to an Earmarking Order. Please see the Schedule of Charges for divorce (available from XPS Administration).

Pension Sharing on Divorce – Who does what and when?



Moving on

- I need more pension before I can retire. What can I do?

You may wish to boost your pension benefits following a divorce settlement. If you wish to increase your benefits you can pay more into the Scheme.

You will find more information regarding this in the 'Saving more' section of the Scheme's website.

Contact XPS administration if you have any questions

Email: LHPS@XPSgroup.com

Write to: Leonardo Helicopters Pension Scheme, XPS Administration, Queen's Quay, 33-35 Queen Square, Bristol, BS1 4LU

Telephone: 0117 440 2493