

Factsheet 11 pension sharing



What is pension sharing?

Under the Welfare Reform and Pensions Act 1999, your pension rights in the Local Government Pension Scheme (LGPS) may be shared as part of a divorce settlement made in a British court.

The system is an alternative to 'earmarking' of pension rights, introduced by the Pensions Act 1995, where some of your pension benefits are allocated to be paid to your ex-husband or wife when you retire. Earmarking does not offer a clean-break settlement.

Pension sharing can apply to divorce proceedings that started on or after 1st December 2000, but it is not compulsory. It can also apply to pension rights where a civil partnership has been dissolved. But it does not apply to judicial separation, where earmarking is the only option.

There is a great deal of administration involved in dealing with these cases, so the law allows us to charge for providing information and applying a Pension Sharing Order. Please contact us if you would like more details of these charges.

Could it apply to me?

Pension sharing in the LGPS could apply to any:

- Active members;
- Deferred members (those who have left the scheme and are waiting to receive pension benefits at some time in the future); and
- Members already receiving their pension benefits.

It does not apply to those receiving:

- A surviving partner's pension;
- A dependant's pension; or
- An injury allowance

How does it work?

The court considers the cash-equivalent value of your pension rights in the LGPS, together with all other assets belonging to you and your ex-husband, wife or civil partner. The court then makes an order defining how your pension rights should be split.

The pension rights awarded to your ex husband, wife or civil partner are removed from your benefits. They are then established as a pension credit member in the LGPS, unless they have elected in advance for their pension credit rights to be transferred to another scheme or arrangement. They are then entitled to a pension and lump sum, payable in full from age 65, with actuarial reductions from age 60. (If you are a pensioner when the court order is made, your ex-husband, wife or partner will not be entitled to a lump sum.)

You will receive information from us about the effect of any Pension Sharing Order on your pension rights. The Pension credit member will receive a statement from the LGPS giving details of their new rights and the options available to them.

What happens after a Pension Sharing Order?

The new pension credit member becomes entitled to a pension and lump sum. However, there is no lump sum if you, the scheme member, are already receiving your pension. There are no dependant's benefits for a pension credit member.

Pension credits are normally payable in full from age 65, but can be taken with actuarial reductions from age 60. However, if the pension credit member is certified as suffering from serious ill-health and is expected to live less than a year, they may apply for their pension benefits to be paid, in full, from any age.

The pension credit member may also before the age of 64 transfer their pension credit rights to another approved pension arrangement (but not another LGPS fund).

What timescales and charges apply?

We are required to send information in accordance with the Pensions on Divorce, etc (Provision of Information) Regulations 2000. This must be sent within 3 months of the date your letter was received.

In certain circumstances, a shorter time scale applies. The information must be supplied:

- a) within 6 weeks of the date we receive notification that formal divorce or annulment proceedings have commenced
- b) within the deadline specified in a Court Order
- c) within 21 "days" of the date we receive a notification that a Pension Sharing Order may be made (or any longer period specified by the Court).

The information we will send to you within the specified time scale will include:

- the Cash Equivalent Transfer Value (CETV) of accrued pension rights in the LGPS;

- the information necessary to complete the pension section of the Form E financial statement and any other information required under the Pensions on Divorce etc. (Provision of Information) Regulations 2000.

Please note that a charge, based on a preset charging schedule, will be payable by the member for the provision of the CETV if:

- the CETV is required either within 3 months, or
- the member has attained age 59, or
- the member is in receipt of a pension, or
- a CETV or the provision of information has already been requested and provided in the previous 12 months, or
- the CETV is required in the case of Scottish divorce or nullity proceedings where the relevant date to be used for the CETV is greater than 12 months prior to the date of receipt of the CETV request

Certain information has to be gathered from other sources before we can provide you with the information you require. If we experience any difficulty in obtaining information from the other sources we will let you know.

You should inform your solicitor if you have any other pension rights. This would include any pension rights you have in another scheme, any deferred pension rights you have in another local government fund, any pension rights where a transfer to the LGPS is currently being negotiated, or any Free Standing Additional Voluntary Contribution plan you may have.

Can I pay extra to build up my pension after an order?

You may be able to rebuild some of your lost pension rights by buying additional pension rights in the LGPS, paying additional voluntary contributions (AVCs), or paying into a stakeholder pension plan. Please contact us for more information.

Please note: this fact sheet is intended as a broad guide to your benefits in the Local Government Pension Scheme. It does not seek to cater for every different circumstance and no decisions should be taken based on its contents. You are strongly advised to consult our website and/or contact us for more detailed and individual information before taking any action in relation to your pension. Nothing in this fact sheet overrides the regulations which govern the LGPS and which are subject to amendment from time to time.