

### How can pensions be affected on divorce?

Pension rights are an important asset in many marriages and civil partnerships, often greater in value or second in value to the marital home.

Courts take these rights into account when determining divorce settlements.



There are three ways in which the Court can take account of pension rights on divorce. These are described below along with additional information about the impact of divorce on benefit limits and protections.

### Pension Sharing Orders (PSOs)

PSOs provide a clean break between parties, as the pension assets are split immediately. This means that each party can decide what to do with their share independently.

The Court will issue a PSO stating how much of the pension the ex-partner is entitled to receive.

The amount is expressed as a percentage of the transfer value of the pension that is to be split (Scottish PSOs may be expressed as an amount). Each transfer value is worked out the day before the PSO comes into effect.

Lifetime Allowance (LTA) protection certificates can be affected by a PSO and if this affects you, it is recommended that you discuss this with your financial adviser and solicitor.

### Pension Offsetting

Offsetting provides a clean break between all parties, as assets of similar value are allocated to the ex-spouse or civil partner, to avoid pension sharing.

Each party retains their pension assets, but these are then offset against the other assets. For example, if one party has a large pension pot, the other may receive the house (assuming it has a similar value).

It can be hard to value some assets and values may change at different rates, it can be difficult to fairly split assets using pension offsetting, especially as the value of pension benefits may be their most valuable asset.





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## BASF UK Group Pension Scheme Divorce & Pensions

### Pension Attachment Orders (PAOs) & Earmarking Orders

PAOs are available throughout the UK, although some historic Earmarking Orders may still exist. Earmarking is now only available in Scotland.

When retirement benefits are paid, part (or all) of them are paid to the ex-partner. The Court instructs the Scheme Administrator to make these payments to the ex-partner. These orders don't provide a clean break, as an ongoing link with the ex-spouse or civil partner will remain until the order is settled.

Payments can be made from pension income and/or the Pension Commencement Lump Sum (PCLS). In Scotland, they can only be made from a PCLS.

While these orders are simple to understand, they can cause some problems:

- ◆ On death before retirement, the ex-partner may receive nothing
- ◆ The ex-partner does not receive anything until retirement benefits commence
- ◆ Depending on the date of retirement, the ex-partner may receive less than expected
- ◆ On death after retirement, any income payable to the ex-partner also stops
- ◆ Courts prefer a 'clean break' approach to divorces and the dissolution of civil partnerships



### Trustee Policy

Any transfer value awarded on divorce will be transferred out of the Scheme to an external pension provider of the ex-partner's choice. Any Administration costs relating to the pension sharing will be charged to the divorcing couple.

The treatment of pensions on divorce is complex area and can involve assets of substantial value. Therefore, the Trustee strongly recommends that you consult your Solicitor for advice.

**Any costs will be confirmed by the Scheme Administrator**

### Scheme Administrator

When you are going through divorce proceedings, you should instruct your Solicitor to forward a copy of any proposed pension sharing consent or order to the Scheme Administrator **before** it is approved by the court to ensure that it can be implemented.

If an order cannot be implemented, you may need to go back to court to change the order which will result in costs and delay.

If your Solicitor has asked you to obtain a value of your pension benefits, you should request this in writing, or by email to the Scheme Administrator.



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