

Nationwide Pension Fund

Pensions Sharing on Divorce



Nationwide

Building Society

Introduction

This leaflet explains how a divorce, or dissolution of a civil partnership (from now on only referred to as divorce), can affect your pension benefits. It focuses on what happens when a Pension Sharing Order (PSO) is made. It also has a handy jargon buster at the end.

What is likely to happen after your first visit to a solicitor to discuss your divorce

Your solicitor will normally ask for details of all your financial assets, including your pension. Some of your pension benefits may then form part of the divorce settlement.

In a divorce, pension benefits can be dealt with in one of three ways:

OPTION 1 OFFSETTING

The value of your pension can be offset against other assets such as property (ie your ex-partner receives other assets to the value of any lost pension benefits).

OPTION 2 EARMARKING

A specified amount of your pension benefits can be set aside to be paid to your ex-partner, but can only be paid to them when you take your benefits.

OPTION 3 PENSION SHARING

At the time of your divorce, your ex-partner can receive a proportion of your pension benefits. A payment is then made to a suitable pension arrangement nominated by your ex-partner and your pension benefits are reduced accordingly.

How pension sharing works

The PSO must specify the percentage of your pension benefits to be transferred to your ex-partner. The split does not have to be 50:50.

Your ex-partner will receive a share of your pension benefits that have built up to the date that the PSO takes effect. This will then exist independently of your pension and is known as a pension credit. This creates a “clean break” situation.

Your pension benefits will be reduced by what is known as a pension debit, which will have the same total value as the pension credit given to your ex-partner.

The PSO will be based on the cash equivalent value of your pension benefits (the transfer value for active or deferred members) on the date the order takes effect.

In Scotland, the rules are slightly different. For example, only your pension rights built up during your marriage will be included in the share.

What happens to your benefits under Nationwide's pension scheme

The PSO will state what proportion of your pension benefits are to be given to your ex-partner. Your ex-partner will have to nominate a suitably approved pension arrangement to receive their share as a transfer payment and your pension benefits will then be subject to a pension debit. The Trustee can nominate an arrangement to receive the transfer payment in circumstances where an arrangement has not been selected by the ex-partner.

If your pension is not yet in payment, your pension debit, with regards to your main Nationwide pension, will be a negative deferred pension which is revalued each year by statutory increases. On retirement, your pension will be calculated as if there had been no PSO made and from this will be deducted the revalued pension debit. If you decide to take a tax-free cash sum on retirement, then this will also be reduced by the same proportion as your pension.

The PSO will also apply to any additional contributions you've paid. If these are held in multiple investment funds, each one will be reduced accordingly.

If your pension is in payment, then your monthly pension payment will be reduced the month of implementation.

The Employee Pensions team (on behalf of the Trustees) will have to implement the PSO within four months. This period starts when all the requested information is received and providing the PSO is in an acceptable format. Once completed you will be informed of how your benefits have been reduced.

A PSO can cover most pension benefits but there are a few exclusions which include:

- Any dependant's pension you're receiving from a previous marriage or civil partnership
- Any benefits already subject to an earmarking court order

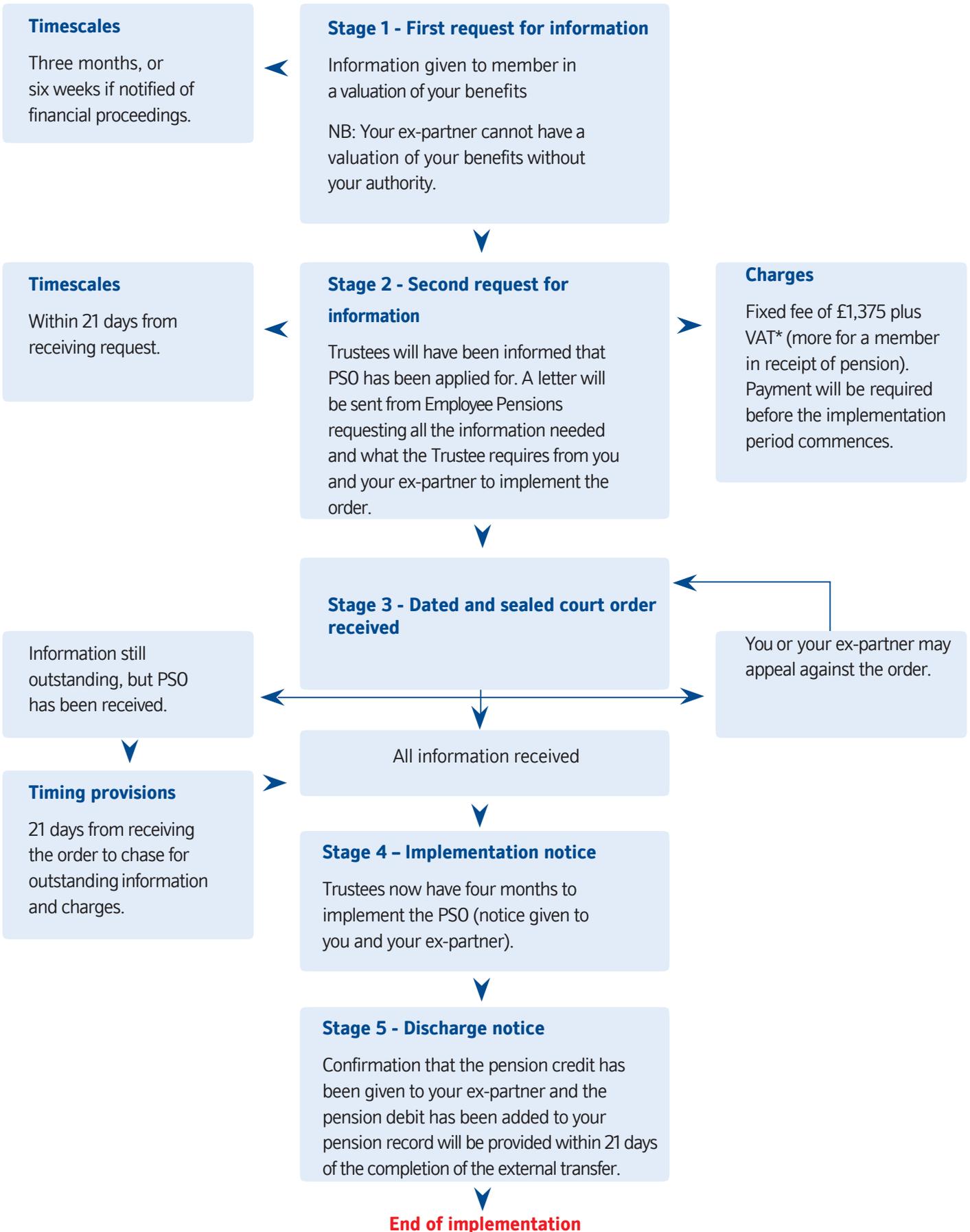
Expression of Wish

In the event of a divorce, you may want to consider updating your Expression of Wish form. This lets the Trustee know who you'd like to be considered to receive any eligible pension benefits in the event of your death.

You can do this through the Secure Member Portal on the Fund website:

www.nationwidepensionfund.co.uk

The pension sharing order procedure



*This is in line with guidelines set down by the Pensions and Lifetime Savings Association (PLSA) for our standard process, other steps or timescales will apply in particular circumstances

Jargon buster

Additional contributions

Contributions paid in addition to your normal contributions to the pension scheme in order to secure additional pension.

Deferred pension

The pension that you have built up to the date of leaving the pension scheme and which has not yet become payable.

Pension credit

Means a credit of pension benefits granted to an ex-partner. This normally takes the form of a transfer value paid to an approved pension arrangement.

Pension debit

Means the pension benefits debited from a member. This pension debit is converted into the pension credit for the member's ex-partner.

Pension sharing order

A legal document issued by the Courts that splits a member's pension benefits under a pension arrangement between the member and the ex-partner. The benefits belong to the member and the ex-partner separately and each can decide when to take their benefits.

Contact us

The Nationwide Pension Fund is run on a day to day basis by the Employee Pensions team. If you have any questions after reading this leaflet, then **we're here to help you**.

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