



# Divorce Guide

In this Guide you will find information regarding the potential effect of divorce on your benefits in the Defined Benefit Section of Prudential Staff Pension Scheme.

**MAY 2023**



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# Introduction

This Guide explains how a divorce (or dissolution of a Civil Partnership, hereafter also referred to as a divorce) can affect your benefits in the Defined Benefit (DB) Section of Prudential Staff Pension Scheme (the Scheme).

It focuses on what happens when a Pension Sharing Order (PSO) is made.

## 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.

You and your Spouse or Civil Partner will need to agree how best to include your pension benefits (and theirs if they have any). The options with regard to your DB Section benefits are:

### Offsetting the value of your DB Section benefits against other assets you may have

This is often the first option considered. You may be able to offset the value of your pension against other assets being taken into account as part of the divorce settlement. A simple example of how this might work is shown below:

|   |                 |
|---|-----------------|
| Value of your DB Section benefits                               | <b>£300,000</b> |
| Value of any other assets<br>(including other pension benefits) | <b>£600,000</b> |
| <b>Total value of assets being considered</b>                   | <b>£900,000</b> |

If the assets are to be divided equally between you and your Spouse or Civil Partner the offsetting approach would result in the following:

|   |                 |
|---|-----------------|
| <b>You would retain:</b>                          |                 |
| 100% of your DB Section benefits                  | <b>£300,000</b> |
| <i>plus</i>                                       |                 |
| 25% of the other assets                           | <b>£150,000</b> |
| <b>Total</b>                                      | <b>£450,000</b> |
| <b>Your Spouse or Civil Partner would retain:</b> |                 |
| 75% of the other assets                           | <b>£450,000</b> |
| <b>Total</b>                                      | <b>£450,000</b> |

### A Pension Sharing Order

This is where the Court instructs the Trustee to reduce the value of your DB Section benefits by a specified amount (a pension debit) and pay an amount equal to this to an arrangement chosen by your ex-Spouse or ex-registered Civil Partner (a pension credit). This option is available in respect of your benefits from the Scheme.

Your solicitor may discuss with you a third option called a pension attachment/earmarking order. This is where the Court instructs the Trustee to pay an element of your benefits directly to your Spouse or Civil Partner when they become payable to you. This option is not available in respect of your benefits from the Scheme.

# Pension Sharing Orders

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The Pension Sharing Order (PSO) will specify an amount of the value of your DB Section benefits that must be transferred to another registered pension arrangement chosen by your ex-Spouse or ex-registered Civil Partner.

The value used to calculate the actual payment to your ex-Spouse or ex-registered Civil Partner will be the value of your DB Section benefits on the day that the Trustee calculates your benefits following receipt of the PSO and the relevant documents (although the Court can select a different date), which may be a different value to any estimate you had at an earlier date. The Trustee will implement a PSO within four months of receiving the PSO and all the relevant documents.

## What benefits can be included in a PSO?

As well as your DB Section benefits the following may also be included in a PSO:

- Other occupational pension benefits (i.e. in respect of a previous employer);
- Additional Voluntary Contributions;
- Personal pension plans (including stakeholder and retirement annuities); and
- Some elements of your State benefits (i.e. State Earnings Related Pension Scheme (SERPS) or State Second Pension (S2P)).

## Pension benefits that cannot be included in a PSO

The pension benefits that are excluded from a PSO are:

- Your basic State Pension;
- State Graduated Pension Scheme;
- Payments you are receiving as a Dependant of another individual; and
- Any benefits already subject to an existing earmarking Court order.

# What is the effect of a PSO on your DB Section benefits?

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Once a PSO is received, the DB Section Administrator will apply a debit to your DB Section benefit as specified in the PSO.

This will mean that the pension you receive from the DB Section will be less than what it would have been if the PSO had not come into effect.

Your Annual Benefit Statement and the illustrations available via MyPension may not take account of a pension debit. Following a divorce, where a PSO is part of the settlement, you should check with the DB Section Administrator if any quotation provided in respect of your DB Section benefits takes into account the PSO.

If you are already receiving your pension from the DB Section, the amount you receive will be automatically adjusted to take account of the pension debit. If there has been a gap between the PSO being made and the DB Section Administrator receiving it (along with the relevant documents), your pension may have been overpaid for a period and you will have to repay those overpayments.

## Additional Voluntary Contributions (AVCs)

If you have paid AVCs to either the in-house or commercial arrangement the accumulated value of these AVCs will be reduced by the amount specified in the PSO. Any illustrations provided after the PSO has been applied to your AVCs will show the value of these after the pension debit has been deducted.

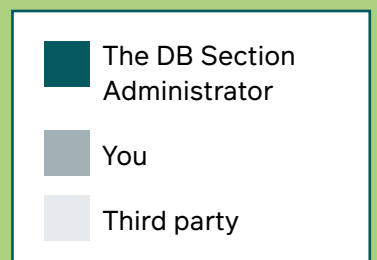
## Transfers in

If you have transferred benefits into the DB Section from another registered pension scheme on a money purchase basis this fund will be reduced by the amount specified in the PSO. If you transferred benefits into the DB Section and the transfer purchased additional years' Service, these benefits will be included with your main DB Section benefits and therefore treated similarly to the benefits you have built up as a result of being a member of the DB Section.

# The Pension Sharing Order (PSO) procedure

Below is the high-level process that will take place in order for a PSO to be applied to your DB Section benefits.

- 1** You request a Divorce pack from the DB Section Administrator.
- 2** The DB Section Administrator produces a Divorce pack and issues it to you.
- 3** You share the Divorce pack with your solicitor.
- 4** A Court confirms treatment of your pension entitlement. This will be documented in the PSO.
- 5** You provide the DB Section Administrator with the PSO.
- 6** The DB Section Administrator provides final divorce information including confirmation of costs.
- 7** You (and/or your ex-Spouse) pay costs.
- 8** The DB Section Administrator amends your Records.
- 9** The DB Section Administrator pays transfer payment in accordance with PSO.
- 10** The DB Section Administrator confirms payment has been made.



# Fees

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The Trustee will charge a fee for the application of a PSO payable by you and/or your ex-Spouse or ex-registered Civil Partner. The fees will reflect the administrative requirements that are necessary to comply with the PSO.

When you request the initial valuation of your DB Section benefits (i.e. a cash equivalent transfer value or CETV) the DB Section Administrator will provide details of these fees. When requesting your CETV please inform the DB Section Administrator that you require this for the purpose of a divorce settlement. This will ensure details of these fees are included with the quotation.

Additional fees may also become due if you require more than one CETV in any 12-month period, even if one or more of these illustrations is for a purpose other than divorce.

If you are a Pensioner member and already receiving your pension from the DB Section, you will be charged a fee for the initial valuation. This fee will be confirmed to you and must be paid before the valuation will be provided.

All fees must be paid before any pension credit can be paid.



## Further information

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For further information please refer to the Scheme website or contact the DB Section Administrator using the contact details below.

Writing to: **Prudential Staff Pension Scheme  
XPS Administration  
PO Box 562  
Middlesbrough  
TS1 9JA**

Emailing: **pspsdb@xpsgroup.com**

Telephone: **01245 673515** (UK callers)  
**(44) 1245 673515** (Overseas callers)

Website: **prudentialstaffps.co.uk**

### Small Print

M&G plc or companies whose ultimate parent company is M&G plc. For the avoidance of doubt, this can include the Principal Employer and/or any associated company/employer that offers you membership of the Scheme through your contract of employment. If you joined the Scheme prior to October 2019, the Company was known as Prudential plc but on 21 October 2019, the Company became known as M&G plc.

All benefits are payable in accordance with the Trust Deed and Rules, the legal document governing the Scheme. In the event of any discrepancy between any information provided to you and the Trust Deed and Rules, the Trust Deed and Rules will prevail.

# Glossary

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## **Additional Voluntary Contributions (AVCs)**

These are any personal contributions that you choose to pay to the DB Section.

## **Annual Allowance**

This is the maximum amount of pension savings that you can make which will qualify for tax relief in any tax year.

## **Automatic Enrolment**

The requirement to enrol most employees and workers in the UK into a pension scheme provided by an employer.

## **Civil Partner**

This is the person you have entered into a registered Civil Partnership with under the Civil Partnership Act 2004.

## **Company**

M&G plc or companies whose ultimate parent company is M&G plc. For the avoidance of doubt, this can include the Principal Employer and/or any associated company/employer that offers you membership of the Scheme through your contract of employment. If you joined the Scheme prior to October 2019, the Company was known as Prudential plc but on 21 October 2019, the Company became known as M&G plc.

## **Consumer Price Index (CPI)**

The official index used by the Government as its measure of inflation. The Government previously used the Retail Price Index as its official index for measuring inflation.

## **DB Section**

Defined Benefit (DB) Section of Prudential Staff Pension Scheme (the Scheme).

## **DB Section benefits**

The benefits payable to you as a result of your membership of the DB Section (and/or those payable to your Spouse/Civil Partner or other Dependant(s) following your death) but excluding any benefits payable in respect of AVCs.

## **DC Section**

Defined Contribution (DC) Section of Prudential Staff Pension Scheme (the Scheme).

## **Dependant**

Your Spouse or Civil Partner/same sex spouse or any other person who, in the opinion of the Trustee, is financially dependant upon you at the date you take your pension or die.

## **Eligible Child**

In most cases, this means your own or adopted child under age 18 or older if still in full-time education/vocational training and the Trustee so decides (though not normally beyond age 23).

## **Final Pensionable Earnings**

In summary, for the purposes of the DB Section, Final Pensionable Earnings is calculated as the higher of either:

1. The basic salary you earned in the 12 months immediately before you leave service. Ignoring any additional amounts, such as bonuses or overtime.
2. Your highest annual salary in any one tax year, in the last five years before you leave Service. Ignoring any additional amounts, such as bonuses or overtime.
3. Your average annual salary over the best three consecutive tax years in the last 10 years. Ignoring any additional amounts, such as bonuses or overtime.

The earliest tax year which will count in points 2 and 3 above is that commencing 6 April 2000.

If you were an Active member on 30 September 2019, your Final Pensionable Earnings will be capped at the rate applicable at this date.

There are two areas where this cap will be applied differently.

- If an Active member's Pensionable Earnings is less than £35,000 per annum, their Final Pensionable Earnings will continue to recognise increases to their salary on and after 30 September 2019, until such time that their Final Pensionable Earnings reaches £35,000 per annum (or, if part-time, their full-time equivalent).
- If an Active member is already earning above the Scheme Earnings Cap, their benefits are limited by the Scheme Earnings Cap until the Scheme Earnings Cap overtakes their Final Pensionable Earnings at 30 September 2019.

If you participate in the Company's Pension Plus arrangement, for this purpose, you are treated as if you do not participate in this arrangement.

There are occasions when your Final Pensionable Earnings might be calculated differently. If you have any questions or need any further information please contact the DB Section Administrator in the first instance.

Please see Appendix II for an example of a Final Pensionable Earnings calculation.

### Guaranteed Minimum Pension (GMP)

If you were an Active member of the DB Section between 6 April 1978 and 5 April 1997 (inclusive), you will have accrued a GMP within the Scheme. This is the minimum pension the Scheme must pay to you as a result of you contracting out of either the State Earnings Related Pension Scheme (SERPS) or the Second State Pension (S2P).

- **Contracting out** — In return for you and the Company paying a reduced level of National Insurance contributions, you stopped building up your second tier State Pension entitlement. The Scheme committed to pay this amount to you as part of your overall Scheme entitlement.
- **State Earnings Related Pension Scheme (SERPS)** — From 6 April 1978 to 5 April 2002 this was the second tier of State Pension. In addition to your Basic State Pension the State would pay an additional pension based on your earnings during any period you were not contracted out.
- **Second State Pension (S2P)** — In 2002 the Government replaced SERPS with S2P. The principles were broadly the same in that S2P was a second tier of State Pension provision based on your earnings during any period you were not contracted out.

With effect from 5 April 2016, the Government abolished the two-tier State Pension provision in favour of a single-tier flat-rate State Pension.

### GMP Pension Age

This is currently 60 for women and 65 for men.

### Lifetime Allowance

The Lifetime Allowance (LTA) sets the total value of all the pension savings you can build up before having to pay extra tax. In the Spring 2023 Budget the Chancellor announced plans to abolish the LTA from April 2024. For the 2023/24 tax year the LTA will remain at its current level, £1.073 million, but if your pension savings exceed the LTA you will not be liable to pay the extra tax charge. Pension Commencement Lump Sums will continue to be limited to 25% of the LTA.

### Money Purchase Annual Allowance

If you elect to take your benefits from any other registered pension arrangement using the new pension flexibilities available, for example in the form of a Uncrystallised Funds Pension Lump Sum (UFPLS) you will trigger, for the tax year you draw your benefits (and for future years), a Money Purchase Annual Allowance. This means your tax efficient contributions to any defined contribution scheme will be more restricted (usually to £10,000). More detail can be found on the Scheme's website.

### Normal Retirement Date

The date at which you are expected to retire. For most members your Normal Retirement Date is aged 60 although it is aged 65 for some male members. You will have been told if your Normal Retirement Date is not aged 60. Your Normal Retirement Date is sometimes referred to as your Normal Pension Date.

### Pension Input Period

This is the period over which pension contributions are measured to work out whether you have exceeded the Annual Allowance. The Pension Input Period is the same as the tax year: 6 April to 5 April.

### Pensionable Pay (in respect of the DC Section)

This means your basic salary.

### Pensionable Service

In general, this means the permanent Service (in years and complete months) you completed with the Company as an Active member of the DB Section.

### Pensions Plus

The Company operates a salary sacrifice arrangement called Pensions Plus, for more information please see the Company's document Your Guide to Pensions Plus. You can download a copy from the Company Documents section of the Scheme website: [www.prudentialstaffps.co.uk](http://www.prudentialstaffps.co.uk).

### Qualifying Recognised Overseas Pension Scheme (QROPS)

This is an overseas pension scheme that meets certain requirements and which HM Revenue & Customs recognises as eligible to receive transfers from registered pension schemes in the UK.

### Registered pension scheme

A pension scheme that is registered with HM Revenue & Customs under the provisions of the Finance Act 2004



### **Scheme**

Prudential Staff Pension Scheme.

### **Scheme Actuary**

An appropriately qualified individual who advises the Trustee on actuarial matters relating to the Scheme.

### **Scheme Earnings Cap**

(Members who joined the Scheme on or after 1 June 1989 ONLY)

The maximum salary that can be considered for Pensionable Earnings calculations.

### **Service**

Your employment with the Company.

### **Spouse**

This is the person to whom you are legally married. This includes opposite sex spouses and same sex spouses.

### **Spouse GMP (SGMP)**

The minimum pension the Scheme must pay to your Spouse/Civil Partner as a result of you contracting out of either the State Earnings Related Pension Scheme (SERPS) or the Second State Pension (S2P). Please see the definition in the Glossary for Guaranteed Minimum Pension (GMP) for further information.

### **State Pension**

The pension you may receive from the State when you reach State Pension Age.

### **State Pension Age**

The age at which your State Pension becomes payable.

### **Trustee**

Prudential Staff Pensions Limited, a limited company, is the Trustee of the Scheme and is responsible for ensuring that the Scheme is administered in accordance with the Trust Deed and Rules. The Trustee holds, manages and invests assets for the benefit of members and their beneficiaries.

### **Trustee Director**

An individual, either appointed by the Company or nominated by the Scheme members, who along with other Trustee Directors form the board of the Trustee.