



PENSIONS ON DIVORCE

WHO IS THIS FACTSHEET FOR?

This factsheet is for Shell Contributory Pension Fund (SCPF) members who are going through the process of a divorce.

WHAT IS THE PURPOSE OF THIS FACTSHEET?

The purpose of this factsheet is to provide you with the information you need to understand how your SCPF benefits will be treated if a Court order requires a benefit to be paid to your ex-spouse.

BACKGROUND

Legislation to enable Pension Sharing came into effect in the UK for divorce or nullity proceedings starting on or after 1 December 2000. Before this date the methods available for dealing with pension rights were Pension offsetting and Earmarking. UK Courts may use one or more of these three methods of taking pension rights into account.

Pension offsetting used to be the most common method of dealing with pensions rights during divorce in the UK. Under offsetting, you would keep your SCPF pension and your ex-spouse would receive other assets of similar value to compensate, for example, the matrimonial home.

There can be drawbacks with offsetting. On occasion, the traditional method of offsetting meant that the real value of a pension was not taken into account; it also relies on the member having sufficient non-pension assets to offset against the pension.

JARGON

Pension sharing

The Pension is split at the time of divorce. A percentage share is either transferred into a pension in the ex-spouses own name, which could be one that they already have or a new arrangement, or, they receive a benefit directly from the pension scheme.

Earmarking

The ex-spouse receives an agreed amount of pension income or lump sum (or both) when it starts being paid to the member. This means the ex-spouse cannot receive pension payments before the member has started taking his or her pension. In Scotland, this is called a pensions lump sum order.

Pension offsetting

The member would keep their pension and the ex-spouse would receive other assets of similar value to compensate, for example, the matrimonial home.

This factsheet provides a summary of the benefits available from the SCPF. Benefits can only be paid in accordance with the Trust Deed and Regulations and relevant law at that time.

BACKGROUND (CONTINUED...)

Court orders directing the treatment of pension rights will be different in each case. This summary cannot cover every possible order or circumstance. However, a few points are worth noting in the SCPF context in order to avoid misunderstanding and unrealistic expectations:

- No sharing or earmarking of SCPF benefits can be done by the Trustee until the appropriate Court order is received by the Trustee Services Unit.
- The Trustee cannot act upon informal agreements.
- You may need to engage a solicitor to deal with the divorce. Once formal divorce proceedings start, your solicitor will need to deal with Trustee Services Unit directly.

During the divorce proceedings, assumptions may be made about what can be paid in the future by the SCPF. These assumptions would not form part of a Pension Sharing Order itself but might raise expectations of the parties involved. For example, a Court might suggest that you should nominate your ex-spouse for an adult dependant's pension on your death. This is not permitted under the Trust deed and regulations governing the SCPF. An adult dependant's pension may not even be payable under the deed and rules, if for example you remarry and are survived by your new legal spouse (who would receive a pension). It should also be noted that even where an adult dependant's pension is potentially payable it is only payable where there is evidence of financial dependency of the ex-spouse upon you at the time of your death.

HOW IS A PENSION SHARING ORDER CALCULATED?

A Pension Sharing Order is usually expressed as a percentage of the member's 'cash equivalent' pension rights.

Active member

- If you are an active SCPF member, the pension debit is, essentially, a negative deferred pension calculated at the time of divorce but applied when your employed membership ceases. In deferment, your pension debit is re-valued up to retirement in line with cost of living increases. When your pension comes into payment, it is reduced by the re-valued amount of the debit. The principle underlying the statutory revaluation is that it takes account of inflation but avoids linking the pension debit to future increases in your pensionable salary.

Deferred member

- If you are a deferred SCPF member your pension is reduced by the amount of the pension debit as part of implementing the sharing order. In deferment, the pension debit is re-valued up to retirement in line with statutory revaluation. When your pension comes into payment, it is reduced by the re-valued amount of the debit.

Pensioner member

- If you are already receiving your pension any debit will be valued using the cash equivalent value of your pension in payment.

The SCPF Trustee does not currently apply charges to divorcing parties. However Trustees are allowed to charge for additional costs incurred; this would either be in cash form or a deduction from your pension entitlement. We will inform you of any charges in advance.

WHAT WILL HAPPEN TO MY SCPF PENSION?

The Trustee of the SCPF, Shell Pensions Trust Limited, will offer a SCPF benefit in respect of an ex-spouse's pension credit. Alternatively, an ex-spouse may choose to transfer the cash equivalent of the pension credit to another suitable pension arrangement of his or her choice.

The SCPF has two different benefit sections. A pension credit for your ex-spouse will be given in the same benefit section that you're in; so if you're in the Pre 2009 section of the SCPF, your ex-spouse will be offered a pension credit in that section. If your ex-spouse is under the SCPF's normal pension age the pension credit will be applied to set up a pension entitlement in the SCPF on the basis of a deferred pension. If your ex-spouse has already reached the SCPF normal pension age, and elects an SCPF pension under the pension share, the SCPF entitlement arising from the credit will be paid immediately.

The pension credit for your ex-spouse will be a mirror of SCPF benefits for deferred or immediate pensioners:

- A pension payable from scheme pension age (60 for pre 2009 Section members, 65 for Post 2009 members)
- The option to receive a reduced pension from age 55
- The option to exchange part of the pension for a cash sum (commutation) when it becomes payable. This is not available where the member's pension has started payment before the grant of the sharing order.
- A pension payable on the ex-spouse's death to a spouse and children; if there is no spouse, a pension may be payable to an adult dependant
- The balance of five years' pension on death within five years of the pension starting
- Guaranteed and discretionary cost of living increases to the SCPF pensions

Once a Pension Sharing Order has been implemented, your next benefit statement will take account of the pension debit. The pension debit will reduce the accrued pension and the benefits at pension age, and retirement age.

WHAT DO I NEED TO DO?

If you are in the process of starting divorce proceedings you should request a Cash Equivalent Transfer Value (CETV) from the Pension Administration Team at the address below to provide to your solicitor.

You can find further general information about UK pensions and divorce at The Pensions Advisory Service website www.pensionsadvisoryservice.org.uk/life-events/divorce

CONTACT DETAILS

If you have any queries about the information in this factsheet, please contact the Pensions Administration Team (PAT).

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