

PENSION SHARING ORDER CORRECTIONS Factsheet

Background

When there is a divorce or dissolution of a civil partnership, and a Pension Sharing Order (PSO) is put in place, the PSO gives part of the Armed Forces Pension Scheme (AFPS) benefits of the scheme member to their former spouse or civil partner.

In order to apportion the AFPS benefits, the Pension Administrators are guided by Policy information. They calculate the values of the pension benefits to be shared, using age related factors which are provided by the Government Actuary's Department.

DBS Veterans UK are the Pensions Administrators and we have identified a significant number of members who have a PSO in place, which requires review and recalculation.,

How is a Pension Sharing Order calculated?

We call the pension benefits held by the scheme member as "relevant benefits for sharing". Once a PSO has been made, the "relevant benefits for sharing" are assessed at what is called the **Transfer Day**.

The **Transfer Day** is the end of the "appeal period" following the date of the PSO or the date of the Decree Absolute, whichever is later.

For PSOs sealed prior to 6 April 2011, the appeal period is 21 days.

For PSOs sealed on or after 6 April 2011, the appeal period is 28 days.

After the appeal period, the PSO is implemented on what is called the **Valuation Day**. This date must be within four months of the AFPS receiving all the necessary information, including payment of the implementation charges.

A Cash Equivalent Value (CEV) of the "relevant benefits for sharing" is calculated. This is done by using age factors which are applicable at the **Valuation Day** and are based on the age of each party at the **Transfer Day**.

What has happened and why does my Pension Sharing Order need to be reviewed?

As explained above, the "relevant benefits for sharing" must be assessed as at the **Transfer Day**.

Unfortunately, DBS Veterans UK have taken the **Transfer Day** to mean the date that the PSO was sealed. This was incorrect and the **Transfer Day** should have been either 21 days or 28 days after the date of the PSO or Decree Absolute.

In addition, we have also incorrectly used the age of each party on the **Valuation Day**, and not the ages on the **Transfer Day**.

Why has this error occurred?

Policy information was passed from the Department for Work and Pensions (DWP) to the AFPS. This stated that the pension should be assessed on the day the Court Order (CO) was sealed.

This error means that DBS Veterans UK have paid many members and their former spouses at incorrect rates.

How does this affect me?

For many members and their former spouses, these errors will have little or no effect. However, any changes to these defined dates can have a material effect on the CEV of a member's pension pot, as well as the value of the shareable pension benefits to a former spouse.

If the scheme member or the former spouse had a birthday between the date we originally used when the member's pension was valued, and the new correct date, this will have a material change to the benefits calculated.

Other circumstances will also have an effect. These include additional reckonable service and reaching the immediate pension point.

Consideration must also be given to dates which cross the annual Pension Increases (PIs) in the year of divorce, which normally occurs in April.

What has DBS Veterans done?

DBS Veterans UK made the decision to review the whole Pension Sharing Process.

What happened during this review?

During the review, DBS Veterans UK discovered minor errors. These were in relation to some of our members' Guaranteed Minimum Pension (**GMP**) calculations.

The **GMP** error affects a small number of members. The material effect means that the calculations for members and/or former spouses is likely to be in the region of £10 per annum.

In addition, DBS Veterans UK have also discovered a potential underpayment issue. This issue does not affect former spouses but will affect members who have reached age 55 or claimed their deferred pension since the date of their divorce.

The underpayment issue has occurred as the rate of Pension Increases (PIs) were apportioned in the year of divorce. This was incorrect and has denied some members the full percentage of increase in the year of the PSO. In turn, this has also influenced cumulative increases, resulting in an underpayment.

Will there be cases where an Overpayment has occurred?

Yes.

If the member or former spouse is in receipt of a pension and, as a result of the new relevant date, there is a material change that results in a reduction to the pension benefits, this reduction will apply from an immediate date.

DBS Veterans UK will not seek recovery of any overpayment of pension or lump sum that has occurred based on our misinterpretation of DWP's policy information.

What will happen in cases of Underpayment?

Any underpayment occurring as a result of the reassessment of pension increases will be calculated and arrears will be paid in full. Where a material change increases the member or former spouse's entitlement, arrears will also be calculated and paid in full.

I have a Pension Sharing Order in place, but my pension is not currently in payment. Why have I received this letter?

You have received this letter as we have identified you as one of the scheme members whose PSO is affected by the new defined dates. Your pension has therefore been re-assessed and your new entitlement is outlined in this letter.

Have I been affected by all the issues mentioned?

Not all members are affected by every issue. Your letter which accompanies this factsheet will advise you which issues you are specifically affected by.

Do I have a right of appeal against any reduction?

There is no appeal process. The reason for this is because the issues detailed above are a legal requirement and DBS Veterans UK must comply with them.

Will by ex-spouse/civil partner's pension be affected?

If the member's pension changes, then this will also impact on the Pension Credit Member (PCM). Former Spouse's pensions may go up or down, depending on the changes made to the member.

DBS Veterans UK cannot divulge the financial changes to both parties. Members and PCMs will be dealt with individually.