MMP 131



Pension Benefits on Divorce and Dissolution of Civil Partnerships

Produced by Veterans UK September 2016

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$1 \quad \text{About this Guide} \quad$

1.1 This guide does not provide legal or financial advice. It is intended to assist members, spouses or civil partners of members who are currently going through the process of divorce or dissolution of a civil partnership or may do so in the future. It will also help legal representatives who are advising clients who are members of the Armed Forces to understand some of the features of the Armed Forces Pension Schemes.

1.2 A number of terms and abbreviations are used throughout this guide. Where they appear in bold they are explained in Section 10.

1.3 The content of this guide applies equally to England, Wales and Northern Ireland. The Scottish legal system has some differences, which are explained in Section 8.

1.4 There are three Armed Forces Pension Schemes (AFPS) for members of the Regular Armed Forces:

a **AFPS 75** was introduced in 1975 and was closed to new entrants or re-joiners after 5 April 2005.

b **AFPS 05** is the scheme applicable to those who joined or re-joined the Regular Armed Forces from 6 April 2005 to 31 March 2015. Serving members of **AFPS 75** were given an opportunity to transfer to **AFPS 05** by 6 April 2006. Only re-joiners with Transitional Protection can re-join on or after 1 April 2015.

c **AFPS 15** was introduced on 1 April 2015 for new entrants of the Regular Armed Forces and those who have re-joined since 1 April 2015 without Transitional Protection. On 1 April 2015, those members of **AFPS 75** and **AFPS 05** without Transitional Protection were automatically transferred to **AFPS 15**.

1.5 There are four Pension Schemes for members of the Reserve Forces:

a The Full Time Reserve Service 97 (**FTRS 97**) pension scheme was introduced in 1998. It is the scheme for those who joined as full time members of the Reserve Forces before 6 April 2005.

b Non-Regular Permanent Staff (**NRPS**). This is the scheme for members employed in a **NRPS** role. This scheme closed to new members in 2011.

c Reserve Forces Pension Scheme 05 (**RFPS 05**), is the scheme applicable to those who commenced an **FTRS/NRPS** commitment/contract between 6 April 2005 and 31st March 2015, and includes those who were mobilised during that period. Serving members of **FTRS 97** were given an opportunity to transfer to **RFPS 05** by 6 April 2006. Only Reserve Force re-joiners with Transitional Protection can re-join on or after 1 April 2015.

d **AFPS 15** was introduced on 1 April 2015 for new entrants of the Reserve Forces and those who have re-joined since 1 April 2015 without Transitional Protection. On 1 April 2015, those members of **FTRS 97**, **NRPS** and **RFPS 05** without Transitional Protection were automatically transferred to **AFPS 15**.

1.6 Unit administration or personnel staffs can offer information and an explanation of the various pension scheme benefits, but cannot give financial or legal advice in relation to your pension decisions or divorce/dissolution. The option that is best for you will depend on your particular personal circumstances and you should seek independent legal of financial advice as required.

1.7 A list of the Services Insurance and Investment Advisory Panel approved independent

financial advisers is available at siiap.org. However, you are free to use any financial adviser.

IMPORTANT: This guide does not give a full explanation of the relevant pension scheme rules or the law in relation to pensions on divorce/dissolution. If there are any differences between the legislation and an explanation in this guide, the legislation will take precedence.

2. Background

2.1 The Courts have powers to take account of pensions in divorce or dissolution settlements. Options available to the Court include:

a Offsetting - the value of the pension is offset against other assets belonging to the couple going through divorce or dissolution.

b Pension Sharing Order (**PSO**) – this order requires some or all of the member's pension to be transferred to the former spouse or civil partner who will become a member of the pension scheme in their own right;

c Attachment Order (**AO**) – This is available In England, Wales and Northern Ireland: This order requires a payment from the member's pension benefits (this may include the retirement pension lump sum or the periodical pension payment) made to the former spouse of civil partner.

d Earmarking Order (**EO**) – only available in Scotland. This order requires a lump sum payment being made to the former spouse or civil partner from the member's pension.

2.2 As a pension lump sum is not automatically payable under **AFPS 15** rules, any earmarking, or attachment against the lump sum can only be completed if the member opts to commute their benefits or a Court compels the member to commute their benefits to create a lump sum.

2.3 Payments received under the Early Departure Payment (**EDP**) Scheme, the Armed Forces Attributable Benefits Scheme, the War Pension Scheme or the Armed Forces Compensation Scheme are excluded from being shared or attached, as they are not pension benefits. However, the Court as part of Offsetting may take these benefits into consideration.

2.4 Care should be taken not to confuse **PSO**s with **AO**s and **EO**s as there are some major differences, which are summarised in the comparison table.

Query	Pension Sharing Orders (PSO)	Attachment Orders (AO)	Earmarking Orders (EO)
Does the former spouse or civil partner become a member of the Pension scheme?	YES. After the PSO is implemented, the former spouse or civil partner becomes a Pension Credit Member (PCM).	NO	NO
Will the former spouse or civil partner receive periodical payments /pension payment benefits?	YES	This will depend on the terms of the order.	NO

Comparison Table

Query	Pension Sharing Orders (PSO)	Attachment Orders (AO)	Earmarking Orders (EO)
Will the former spouse or civil partner receive a lump sum?	If the pension has not crystallised ¹ before the Transfer Day , the pension when paid to the former spouse or civil partner may include a pension	This will depend on the terms of the Order.	A former spouse or civil partner may be allocated part or all of the member's pension lump sum and/or Death in Service lump sum.
	lump sum. However, a pension lump sum is not automatically payable in AFPS 15 . A member must take Retirement Commutation to create a lump sum.		A lump sum is not automatically payable in AFPS 15 , so any earmarking or attachment against the lump sum can only be completed if the member has opted to commute their pension benefits to create a lump sum, or a Court compels them to do so.
Who bears the tax liability?	The former spouse or civil partner (PCM) is liable for any tax due on their share of the pension (including Annual Allowance (AA) and Lifetime Allowance (LTA).	The scheme member is liable to pay tax ₂ on the whole pension.	The scheme member will pay tax on their whole pension after which the amount specified in the EO is deducted.
Will payment continue after a former spouse remarries or a civil partner enters into a new civil partnership?	YES	Periodical payments stop on remarriage of the former spouse or the former civil partner enters into a new civil partnership. Entitlement to the pension lump sum will continue unless changed by a further Court Order.	YES. The one-off lump sum payment continues to be payable on the member's retirement (see above in reference to AFPS 15 scheme)

¹ This is the date when the pension rights that have been built up by an individual are realised. If this happens before the **Transfer Day** the pension lump sum (if applicable) will be paid to the scheme member.

² <u>http://www.hmrc.gov.uk/manuals/eimanual/EIM74010.htm</u>

Query	Pension Sharing Orders (PSO)	Attachment Orders (AO)	Earmarking Orders (EO)
When will a former spouse or civil partner receive payment	This is determined by the pension scheme rules (see Section 10 which explains the Deferred Pension Age). The former spouse or civil partner (PCM) can opt to have their pension paid at age 55, but it will be actuarially reduced due to early payment.	On the member's retirement (when the member's pension comes in to payment).	On the member's retirement (when the member's benefits come into payment).
Can the order be set aside or varied by the Court?	NO—Generally, a PSO cannot be cancelled, set aside, or varied once it has been implemented.	YES	YES
Will the pension paid to a new spouse or civil partner on the member's death be affected?	YES. As the member's pension has been permanently reduced, it will affect the amount of pension paid to a new spouse or civil partner on the member's death.	NO. The AO ceases. See answer to next question about death of the member.	NO. See answer to next question about death of the member.
Will the former spouse or civil partner's entitlement be affected by the member's death?	NO.	YES. When the member dies, the AO expires, except for death in Service pension lump sum benefits where payable to the former spouse or civil partner.	When the member dies, the former spouse or civil partner receives the lump sum benefit in the EO .

Query	Pension Sharing	Attachment Orders	Earmarking Orders
	Orders (PSO)	(AO)	(EO)
What happens if the former spouse or civil partner dies before receiving the pension lump sum or periodical payments/ pension benefits?	The PCM 's estate is paid a lump sum of three times the annual pension that would have been paid. However, in AFPS 75 , the lump sum is only paid if the PCM had an entitlement to a pension lump sum. There is no restoration of the original pension to the member. The pension awarded to the PCM cannot be changed or cancelled.	Lump sum normally paid to the former spouse or civil partner's estate unless the scheme member applies to the Court to have the AO discharged. AO does not take effect in respect of periodical payments. The member's pension is fully restored.	Lump sum will normally be paid to the former spouse or civil partner's estate.

Query	Pension Sharing Orders (PSO)	Attachment Orders (AO)	Earmarking Orders (EO)
What happens if the former spouse or civil partner dies after he/she has received a lump sum (if applicable) and periodical payments /pension benefits are in	For AFPS 15 a lump sum that is: the remaining balance of five years pension, minus any commuted pension lump sum and pension already paid to the PCM .	No further periodical payments are made to the former spouse or civil partner's estate. The member's pension is fully restored.	N/A
payment?	For AFPS 05 and RFPS 05 a lump sum that is: the balance of five years pension minus any pension lump sum and pension already paid to the PCM .		
	For AFPS 75 - If the PCM dies within three years of pension benefits age and a pension lump sum is due or was paid. The estate of the PCM is paid the balance of three years pension at the rate it was put into payment, minus any pension or lump sum already paid to the PCM .		
	For FTRS 97 – if the PCM dies within one year, the lump sum paid shall be the amount of the annual pension on the date it was put into payment, multiplied by three, less any amount already paid to the member as pension.		

There are some differences in pensions on divorce legislation in Scotland. Please refer to the section "Scottish Law".

Information for the Pension Scheme Member

STAGE 1 – WHAT ARE MY PENSION BENEFITS WORTH?

3.1 The first thing you need to do when considering your pension benefits in your divorce or dissolution settlement is to ask **Veterans UK** to provide you with a valuation of your benefits. You can do this in writing or by telephone (contact details in Section 9). You will be sent an application form that explains what information members are entitled to receive and asks you to confirm the precise details you require. You should make clear that your request for a valuation is in relation to divorce or dissolution. The form is available on the <u>Veterans UK</u> Armed Forces Pensions forms page.

3.2 Veterans UK will provide you with valuations for divorce or dissolution; however, where charges are applicable they must be paid before the information is provided. Valuations are normally provided within 6 weeks of request.

3.3 Your pension valuation – The Cash Equivalent Value (CEV) is generally valid for one year (although the Court may require another within that time) and is valued on the day the CEV is produced. This means that for AFPS 75 members' the length of service and rank at the relevant date will be used, and for AFPS 05/RFPS 05/ FTRS 97 members the best consecutive twelve months final pensionable pay in the three years preceding the relevant date will be used in the valuation. For AFPS 15 it will be the value of the scheme member's pension pot at the relevant date.

3.4 However, when a **PSO** is made, the Order will be implemented against the benefits the member is entitled to on the day before the **Transfer Day** (the day when the Order takes effect), as valued on the **Valuation Day**. Therefore, there may be a difference between the **CEV** used to implement an order and the assessment provided earlier.

3.5 If you have re-joined and have multiple periods of service, a **CEV** will be produced for each, unless you have been able to aggregate the periods of service. **Veterans UK** will charge for each different pension valuation provided i.e. **AFPS 75**, **FTRS 97**, **AFPS 05**, **RFPS 05** or **AFPS 15** (in **AFPS 15** a break of less than 5 years is treated as continuous service). If you are an **AFPS 15** member with accrued rights from another Armed Forces Pension two separate **CEV**s will be produced, however, you will only be charged for one valuation.

STAGE 2 – THE COURT ORDER

3.6 The Court Order could specify a share with your former spouse or civil partner of anything from 1% to 100% of the pension benefits whether by **AO**, **EO** or **PSO**. Payments received under the Early Departure Payment (**EDP**) Scheme, the Armed Forces Attributable Benefits Scheme, the War Pension Scheme or the Armed Forces Compensation Scheme are excluded from being shared or attached, as they are not pension benefits. However, the Court as part of Offsetting may take compensation benefits including **EDP** payments into consideration.

3.7 Great care must be taken when deciding whether to agree to an **AO**, **EO** or **PSO** (see comparison table in Section 2, which summarises some of the key differences). Changes to Orders can only be made by the Court. However, it is generally not possible to change or cancel a **PSO** after the decree has been made absolute, particularly after implementation of the **PSO**.

3.8 Veterans UK can only implement an Order that complies with the relevant legislation. They cannot offer you advice on which option you should take. You should seek independent legal and/or financial advice. Your legal representative should be able to explain your options.

3.9 Veterans UK will charge you for any requests for additional information that you make in relation to divorce or dissolution. See the <u>charging leaflet</u> for further details.

STAGE 3 – IMPLEMENTING THE COURT ORDER

Pension Sharing Orders

3.10 Once **Veterans UK** receive the Court Order and all the related documentation (including any fee), they will revalue your pension benefits and implement the Order. Neither you nor the Court can specify the date on which the pension benefits are re-valued.

3.11 By applying the percentage, set out in the Court Order to the value of the pension benefits, on the day before the **Transfer Day**, **Veterans UK** calculates (1) the pension credit it must make to give the pension benefits to your former spouse or civil partner, and (2) the debit that reduces your pension benefits. Pension Credit and Pension Debit means:

a Pension Credit. This is the amount of pension that transfers in accordance with the **PSO**. For example, if on **Valuation Day**, the total pension value was £400K and the **PSO** awarded 50% to your spouse/partner, the total pension credit is £200K. This total is then used to calculate the annual pension entitlement (from pension age). The former spouse or civil partner becomes the Pension Credit Member (**PCM**).

b Pension Debit. When you retire, your pension is based upon your final rank or final salary except in **AFPS 15**, which is based on the accumulated value of your pension pots over your career. Your pension is first calculated at its full value and then an amount called the pension debit is deducted. This debit funds the pension credit. The amount of the debit will depend on the value of the pension credit and how many years the pension deductions are spread over, i.e. the debit will be smaller if spread over more pension years. The scheme member becomes the Pension Debit Member (**PDM**).

Age when Pension Starts

3.12 The age your pension can start depends upon the scheme(s) you are a member of. See the description for your scheme in Section 10. Your former spouse/civil partner may claim their pension as soon as they reach their scheme's Deferred Pension Age (see Section 10). However, a **PCM** may claim their pension benefits from age 55, but their pension benefits will be actuarially reduced due to early payment.

PSO Applied to a Pension Already in Payment

3.13 If you are already in receipt of your pension, **Veterans UK** is required to reduce your pension by the appropriate percentage specified in the **PSO**. However, there will be an unavoidable over payment of your pension (often several months), until the day when the pension is physically reduced. The overpayment will be recovered by the MOD's Paying Agent from you (the **PDM**).

3.14 Any payments you make to your former spouse or partner, either voluntarily or by Order of the Court before implementation of the **PSO**, are outside the pension sharing arrangement and are therefore a private matter. Such payments cannot be taken into account when

repayment is sought, Veterans UK will recover the overpayment that is due.

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PSO – AFPS 05, RFPS 05 and FTRS Members

3.15 In these schemes, the pensions are based on final salary and the number of years of service. When you retire, Veterans UK will calculate your full pension and then deduct the Pension Debit due, see paragraph 3.11. It makes no difference to the calculation if the PCM pension or the PDM comes into payment first.

3.16 The example below highlights a potential issue for some members.

Example – The PSO is implemented before the AFPS 05 immediate pension, which may be paid from age 55.

On Transfer Day, if you have not reached the AFPS 05 immediate pension (paid from age 55). Veterans UK will assume that you will become a Deferred Member (or receive an AFPS 05 EDP) who receives their pension at age 65. A Pension Debit will be calculated for your retirement at this age. Any future calculations of your pension will assume that this is the amount to be debited. If you do leave Service before the IPP, there is no change to the assumptions made.

However, if you continue in Service up to or beyond age 55 you will become entitled to an immediate pension. When you retire, your pension will begin immediately and so the debit is re-calculated for your expected retirement age. Because the pension debit starts earlier (up to 10 years earlier) and is spread over more years than was originally expected, the debit will be less than anticipated. This means your pension increases, because the deduction is less.

The re-assessment of the debit that results in more pension being paid to the member, can lead to a tax charge. Veterans UK writes to members annually if they breach the Annual Allowance (AA) limit. Normally AA charges are likely to affect medical and dental officers, Senior Officers (OF7 and above), or in some circumstances regular officers at lower ranks who are promoted. Any AA notification is based on a member's pension, including any adjustments for pension debits, at the start and end of that year. In some circumstances, the reduction in the pension debit at the point a member reaches their immediate pension, can result in a member breaching the AA, see AA re-referencing example below.

3.17 The effect of Annual Allowance re-referencing can be significant. Below is an example of how a tax charge may occur without the member's circumstances changing.

A. AFPS 05 member divorces. At the time of the divorce they are entitled to a Deferred Pension (paid at age 65)

Member's Pension

This is the amount of annual pension the member would receive if they could claim a pension on the day of the divorce.

The Cash Equivalent Value of the pension for PSO purposes

This is calculated using a factor of 23, 20 for the pension and 3 for the lump sum (the lump sum is 3x the annual pension)

The PSO share

Assumes the pension is split 50:50

Pension Debit Members debit

This is the amount that will be deducted each year from the pension in payment to

£20,000

£230.000

£11,500

£460,000

repay the debit, i.e. £11,500 per year from age 65)	
Member's Revised Pension££20,000 - £11,500	
(This is based on the member's Service up to the day of the PSO and a pension will be paid at age 65)	ssumes the
B. The divorced member remains in Service after the divorce. Th age 55. The debit is re-calculated because the member can no immediate pension, i.e. the pension could be paid now instead	w claim an
Member's gross pension In the previous Pension Input Period (tax year) the pension (if it could be payment) was £29,500 minus the £11,500 debit (the pension is bigger b pension has been accrued since the PSO was implemented).	
The Debit It was £11,500. Because the pension may be in payment for longer it is This reduces the debit.	£7,667 re-calculate.
Over the Tax Year the member's pension increases with reckonable service	£500
The member's pension has increased by The annual increase in pension increase plus the effect of the re- calculated debit	£4,333
£500 + (£11,500 - £7,667)	
Value of the increased pension $\pounds 82,333$ The increased pension is multiplied by a factor of 19* to give the pension input amount for annual allowance tax purposes. $\pounds 4,333 \times 19$	
The Annual Allowance (Tax Year 2015-16)	£40,000
Pension in excess of Annual Allowance (£82,333 - £40,000)	£42,333
Tax liability on member Assuming no unused AA can be carried over, the HMRC tax liability, based on the higher rate tax band at 40%** (£42,333 x 40%)	£16,933

* The multiplier is 19 because a different factor is used for **AA** than **CEV** & **LTA** (20 plus lump sum). These are set by the scheme actuary in consultation with the Treasury and represent the relative value of a defined benefit pension versus a defined contribution pension.

This figure assumes no unused **AA allowance for previous years, which could offset some of this charge. The member has the option to pay the whole amount to HMRC or elect to pay via Scheme Pays.

3.18 The following is an example of the effect if the **PSO** is implemented after the member is entitled to an **AFPS 05** Immediate Pension (age 55 or over).

On the **Transfer Day**, you are entitled to an immediate pension. **Veterans UK** will calculate the debit by assuming that your pension begins immediately. If you leave the

Service soon after the **PSO** is implemented the scheme has anticipated the debit deduction due.

However, if you remain in Service you will be taking your pension later than assumed. When you retire the debit required will be recalculated. Because the repayments are over a shorter time, the value of the debit increases. In this example, your pension will reduce compared to the amount anticipated when the **PSO** was applied.

3.19 PDMs who might face an **AA** charge should consider seeking professional assistance. Their individual circumstances may result in tax charges or adjustments to their pension.

3.20 The **AFPS 05 EDP** is not a pension. The **PSO** cannot be applied against the **EDP** and their will be no debits taken from the **EDP**. When the **EDP** ceases (age 65) and the pension starts, the debit will begin.

PSOs - AFPS 75 Members

3.21 An AFPS 75 pension is based on your rank at retirement and the number of years of reckonable service. The debit will begin when the pension starts. When you retire, Veterans UK will calculate your full pension and then deduct the Pension Debit due. It makes no difference to the calculation if the PCM pension or the PDM comes into payment first.

3.22 There are some issues in **AFPS 75**, similar to those with the **AFPS 05 PSO**. The situation explained in paragraph 3.17 may apply for **AFPS 75**. However, the impact is likely to be less than in **AFPS 05**, as the **IPP** in **AFPS 75** occurs earlier in members' careers when breaches of the **AA** are relatively rare. An example is:

A. AFPS 74 member divorces. They are entitled to a Deferred Pension at the time of the divorce (deferred pension paid at age 60, for service before 6 April 2006)

Member's Pension£10,000This is the amount of annual pension the member would receive if they could claim
a pension on the day of the divorce

The Cash Equivalent Value of the pension for PSO purposes£230,000This is calculated using a factor of 23, 20 for the pension and 3 for the lump sum(the lump sum is 3x the annual pension)

The PSO share

Assumes the pension is split 50:50

Pension Debit Members debit

This is the amount that will be deducted each year from the pension in payment to repay the debit, i.e. £4,600 per year from age 60)

Member's Revised Pension

£10,000 - £4,600

(This is based on the member's service up to the day of the **PSO** and assumes the pension will be paid at age 60)

£115,000

£4,600

£5,400

They have now reached their AFPS 75 Immediate Pension Poin years Officers and 22 years Other Ranks). The Debit is re-calcu because the member can now claim an Immediate Pension, i.e. pension could be paid now instead of age 60.	lated
Member's gross pension in the previous Pension Input Period (tax year)	£13,900
It was £18,500 minus the £4,600 debit. The pension is bigger because m pension has been accrued since the PSO was implemented.	ore
The Debit It was £4,600. Because the pension may be in payment for longer it is re- This reduces the debit.	£2,447 calculate.
Over the Tax Year, the member's pension increases with reckonable service.	£500
The member's pension has increased by (the annual pension increase plus the effect of the re-calculated debit) £500 + (£4,600 - £2,447)	£2,653
Value of the increased Pension The increased pension is multiplied by a factor of 19** to give the pension amount for annual allowance tax purposes. £4,333 x 19	£50,411 n input
The Annual Allowance (Tax Year 2015-16)	£40,000

B. The Member has remained in Service after the divorce.

Pension in excess of Annual Allowance	e (£50,4111 - £40,000)	£10,411
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Tax Liability on Member

Assuming no unused **AA** can be carried over, the HMRC tax liability is based on the higher rate tax band at 40%* (£10,411 x 40%)

* The multiplier is 19 because a different factor is used for **AA** than **CEV** & **LTA** (20 plus lump sum). These are set by the scheme actuary in consultation with the Treasury and represent the relative value of a defined benefit pension versus a defined contribution pension.

This figure assumes no unused **AA allowance for previous years, which could offset some of this charge. The member has the option to pay the whole amount to HMRC or elect to pay via Scheme Pays.

3.23 However, because **AFPS 75** members can serve many years after passing their **IPP**, the value of the debit will increase. This will lower their pension forecasts.

PSO - AFPS 15 Members

3.24 In **AFPS 15** an amount equal to 1/47th of your annual pensionable earnings for that year is added to your individual 'pension pot'. Your 'pension pot' starts to accumulate from your first day of paid service and is carried forward into each year where it grows to ensure that it tracks inflation and maintains its value. This growth, known as indexation, is based on the Average Weekly Earnings index and is similar to money in a bank account earning interest. This process is repeated every year until you leave the Armed Forces.

£4,164

3.25 Where a **PSO** is made on or after 1 April 15, both **AFPS 15** benefits and any benefits earned under other Armed Forces pension schemes that have been accrued up to the point of the Order, may be taken into consideration and a Court could make an Order, sharing either one or both sets of benefits. Where both sets of benefits are part of the **PSO**, the former spouse or partner will receive two separate credits. The first credit will be based on the share of the legacy pension scheme's accrued rights. The second credit will be payable in respect of their share of **AFPS 15** benefits.

3.26 Any **PSO** already in place that was applied to another Armed Forces Pension will continue without change. It will not affect the **AFPS 15** pension.

3.27 The AFPS 15 EDP like the AFPS 05 EDP is not a pension. A PSO cannot be attached to the EDP. The EDP will be paid in full to the member until the EDP stops and the pension begins (at state pension age).

3.28 The issues with **AFPS 15 PSO**s are in principle similar to those, which occur in **AFPS 05**, some of which were illustrated in paragraph 3.18. However as the **IPP** in **AFPS 15** is age 60, rather than age 55, relatively few members of the Armed Forces would be expected to serve beyond age 60.

Pension Attachment Orders (AOs)

3.29 The Court Order may specify that Veterans UK pay your former spouse or civil partner:

- a percentage of your pension (1% to 100%);
- a percentage of your Pension lump sum (1% to 100%);
- A percentage of the Death-in-Service, or Death- in-deferment lump sum (even if you have nominated somebody else to receive it).
- A percentage of any sums raised through Life Commutation (AFPS 75), Resettlement Commutation (AFPS 75) or Retirement Commutation (AFPS 15).

3.30 AOs are not like **PSO**s. Your former spouse or civil partner does not become a member of the scheme in his or her own right. Their payment is linked to your pension.

3.31 If your former spouse remarries or your civil partner enters into a new civil partnership their periodical payments under the **AO** would be stopped (the lump sum payment would continue to be made unless changed by a further Court Order). If **Veterans UK** are not notified and there is an overpayment to the former spouse or civil partner it is your responsibility to reclaim any periodical payments back from them directly; **Veterans UK** will not get involved in any dispute.

3.32 When received, **Veterans UK** places the Court Order on your pension file. If you are still in Service, **Veterans UK** will make the necessary arrangements when the benefits are due for payment. If you are already in receipt of your pension, **Veterans UK**, through their Paying Agent will make arrangements from the next available payment date once they have received all the necessary information they require to implement the **AO** Order.

3.33 Veterans UK will charge the member to implement an **AO** unless the Court states otherwise. **Veterans UK** requires all charges to be paid before they implement the Order.

Scheme Member - Frequently Asked Questions

4.1 Would a pension share affect my future spouse's/civil partner's pension?

Yes. The **PSO** will reduce your available benefits. Any new spouse/civil partner will only be entitled to a share of your entitlement after your death.

4.2 Would a pension share affect my children's pensions?

No. Children's pensions are not reduced by the percentage specified in the Court Order.

4.3 How is the CEV calculated?

The valuation method is prescribed by legislation and the Government Actuary's Department supply **Veterans UK** with tables of actuarial factors. **Veterans UK** uses these factor tables to determine the amount of pension to be credited. These factors are published on <u>Pension</u> Sharing on Divorce: Factors for Divorce Calculations.

4.4 What happens to my pension if my former spouse/civil partner dies before my pension benefits come into payment?

If the terms of the divorce were an **AO** the Order will lapse on their death (the **EO** is a lump sum only).

For a **PSO**, this is a clean break agreement and there are no consequences should either party die. In this scenario, a pension lump sum would normally be paid to your former spouse or civil partner's estate. There would be no restoration of the original pension.

4.5 Will the pension and lump sum that is paid to my former spouse/civil partner be taken before or after tax?

After a **PSO** is implemented, your former spouse/partner becomes a member of the pension scheme and the pension when claimed is theirs along with any tax liability.

After an **AO** or **EO** is implemented, the Armed Forces pension remains wholly in your name. The sum paid to your former spouse or civil partner in accordance with the Court Order is taken after tax has been deducted.

4.6 Can my former spouse/civil partner have a PSO and an AO or EO?

Your former spouse or civil partner cannot obtain both a **PSO** and an **AO** or **EO**. Nor can a **PSO** be made if an **AO** or **EO** is already in force in relation to the pension arrangement, even for a different divorce or dissolution settlement.

4.7 I already have a PSO against my pension. What happens if I divorce my current spouse/civil partner and they obtain a PSO?

After the end of your first marriage or partnership, the **PSO** allocated some of your pension to your former spouse/partner. The portion allocated to your former spouse or civil partner is now their pension and you have no further rights to it. If a new marriage or partnership also ends in divorce your new spouse/civil partner is only entitled to share the remaining pension that is either in payment or would be payable to you at the time of your second divorce. The same rule applies if any further marriage/civil partnership also ends in divorce.

4.8 I am not getting divorced in England. How does this affect pension sharing?

Legislation in Wales and Northern Ireland is predominantly the same as English law, but Scottish law is different (see section on Scottish law).

If your divorce or dissolution proceedings are taking place outside the UK, the pension sharing legislation cannot apply and **Veterans UK** would not be able to implement any Court Order made in a Court outside of the UK. In these circumstances, independent legal advice should be sought.

4.9 Can Veterans UK tell me in advance what my former spouse/civil partner may be entitled to from my pension?

No. The role of Pension Scheme Administrators in divorce or dissolution cases is limited to providing information about the member's pension benefits and implementing any Order the Court may make. This question should be referred to a suitably qualified legal representative.

4.10 A Pension Attachment Order has been made against my monthly pension. How is the pension treated for taxation purposes?

The pension remains your property and you remain liable for income tax on the whole of the pension. You should refer any tax enquiries to HM Revenue and Customs (HMRC).

4.11 Can I simply request that Veterans UK make payments to my former spouse/civil partner or a third party?

The pension scheme rules do not allow you to assign your pension benefits to anyone else. **Veterans UK** will therefore not accept such a request.

4.12 If, after a PSO has been implemented against my pension, can I rebuild my benefits using Additional Voluntary Contributions (AVCs) or Added Pension?

No. A **PSO** does not increase your scope to purchase AVCs beyond what it was prior to the **PSO** being implemented.

4.13 Is there a complaints procedure if I am unhappy with the service provided by Veterans UK?

Yes. **Veterans UK** make every effort to get things right. However, occasionally things do go wrong and you may wish to complain. In the first instance, you should write to the address in Section 9.

Information for the Spouse and Civil Partner

STAGE 1 – VALUATION OF THE MEMBER'S PENSION BENEFITS

5.1 If pension benefits are being considered in your divorce or dissolution settlement, your spouse or civil partner should request a valuation of their pension benefits from **Veterans UK**. Your spouse or partner may be a member of more than one Armed Forces pension scheme. The **CEV** will provide a separate value for each scheme.

5.2 The **CEV** is generally valid for one year and is valued on the day the **CEV** is produced. The pension is valued again during the valuation period (this valuation is backdated to the **Transfer Day**). It is likely the value will have changed between the original information stage valuation and the valuation when the Order is implemented. If your spouse/civil partner has multiple periods of Service, the **CEV** will be produced for each period unless:

- the member has been able to aggregate their periods of Service for pension
- they are a member of **AFPS 15** and their breaks between Service are less than 5 years

STAGE 2 – THE COURT ORDER

5.3 The Court Order could specify a share with your former spouse or civil partner of anything from 1% to 100% whether by **AO**, **EO** or **PSO** of your former spouse or civil partner's pension benefits. Payments received under the Early Departure Payment Scheme (**EDP**), the Armed Forces Attributable Benefits Scheme, the War Pension Scheme or Armed Forces Compensation Scheme are excluded from being shared or attached, as they are not pension benefits. However, these benefits may be taken into consideration by the Court as part of Offsetting, a process used as an alternative to pension sharing.

5.4 Great care must be taken when deciding whether to agree to an **AO**, **EO** or **PSO** (see comparison table (in Section 2) which summarises some of the key differences). Changes to Orders can only be made by the court, but note that it is generally not possible to change or cancel a **PSO** after the decree has been made absolute, particularly after implementation of the **PSO**.

a **Veterans UK** can only implement an Order that complies with the relevant legislation.

b **Veterans UK** can only provide you with general information about the Scheme; they cannot provide you with a valuation.

c Your former spouse/civil partner might be a member of more than one Armed Forces pension scheme.

5.5 Veterans UK are unable to offer you advice on which type of order you should take. You should seek independent financial and legal advice. Your legal representative should be able to provide you with a full explanation of your options. Veterans UK will charge you for any requests for additional information that you make in relation to divorce or dissolution. See their charging leaflet, which is available on the Internet (Section 9 for address) for further details of the charges.

STAGE 3 – IMPLEMENTING THE COURT ORDER

Pension Sharing Orders

5.6 Once **Veterans UK** receive the Court Order and all the related documentation (including any fee), they will revalue the pension benefits and implement the Order. Neither you nor the Court can specify the date the pension benefits are re-valued. **Veterans UK** will then share the pension benefits between you and your former spouse or civil partner on the day before the **Transfer Day**.

5.7 Veterans UK transfers a percentage of your former spouse or civil partner's benefits to you as a pension credit and you will become a **PCM** of the pension scheme. Veterans UK then calculates what the value of your pension will be based on the share of the **CEV** transferred and the expected date that you can draw your pension. They will write to you to confirm the figures. Your pension would only include a pension lump sum if the **PDM** had not yet drawn his or her pension.

5.8 The onus is on the **PCM** to claim their benefits when they are due for payment.

Pension Credit Member Pension Age

5.9 You can claim your pension at the same age as a deferred member of the pension scheme (this age is dependent on the scheme(s) – see deferred pension age in Section 10). This rule is irrespective of the age from which your former spouse or partner may draw their pension. However, you may claim benefits from age 55, but your pension benefits will be actuarially reduced for life. This is because the pension, which is based on the value transferred by the **PSO**, will begin early and therefore will be in payment longer. **Veterans UK** are able to provide a forecast of how much your pension would be worth following adjustment if you were to draw it early from age 55. If you are content with the figures, you can request **Veterans UK** to pay your pension at the earlier age.

Pension Credit Member Specific Rules

5.10 When it is time to claim your pension you need to write to **Veterans UK** at least three months before your pension is due. **Veterans UK** will then send you the appropriate form to enable payment.

5.11 You are not able to transfer out any pension benefits from the Armed Forces Pension Schemes, nor can you add to them. Your pension is payable for life, even if you remarry or enter into a new civil partnership. Your pension will be uplifted in line with Consumer Price Index (CPI) from the **Transfer Day** and will be increased annually in April in line with the CPI. On your death, pension scheme **PCM** benefits are not paid to surviving children, spouses, or civil partners.

5.12 If you were to remarry or enter into a new civil partnership and that marriage or civil partnership ended in divorce or dissolution, your pension credit could itself be subject to a **PSO**.

5.13 A **PCM** cannot aggregate benefits allocated by a **PSO** with any other pension benefit earned from Service in the Armed Forces. Should you have a Service pension and a pension credit, they will not be aggregated and will be paid separately.

5.14 In **AFPS 05**, **AFPS 15** and **RFPS 05** if you are not yet in receipt of your pension and have a life expectancy of less than 12 months you can apply to **Veterans UK** to exchange your entire pension for a lump sum. **Veterans UK** will consider your application on the medical evidence provided.

5.15 If you die before any pension credit benefits have been drawn, a tax-free lump sum will be paid to your estate.

5.16 In **AFPS 75**, if you (a **PCM**) die within three years of your pension coming into payment and you received a lump sum when the pension came into payment. You may be paid the balance of three year's worth of pension to your estate, less the value of any benefits already received (including any pension lump sum paid) from the **AFPS 75** scheme.

5.17 In AFPS 15, AFPS 05 and RFPS 05, if you die within five years of your pension coming into payment, the balance of five year's worth of pension will be paid to your estate, less the value of any benefits already received (including any commutation or lump sum paid) from the AFPS 15, AFPS 05 and RFPS 05 schemes.

5.18 In **FTRS 97** if the **PCM** dies within one year, the lump sum paid shall be the amount of the annual pension on the date it was put into payment, multiplied by three, less any amount already paid to the member as pension.

Pension Attachment Orders (AOs)

5.19 The Court Order may specify that Veterans UK pay you:

a a percentage of your former spouse or civil partner's pension (1% to 100%);

b a percentage of your former spouse or civil partner's pension lump sum (1% to 100%);

c a percentage of the Death-in-Service, or Death-in-deferment lump sum, if your spouse or civil partner dies (even if they have nominated somebody else to receive it).

d a percentage of any sum raised through Life Commutation (AFPS 75), Resettlement Commutation (AFPS 75) or Retirement Commutation (AFPS 15).

5.20 AOs are not like **PSO**s. You do not become a member of the scheme in your own right. Your payment is linked to when your former spouse or civil partner's pension becomes payable.

5.21 There are circumstances when your pension under the **AO** would be stopped. These are:

- a if the member should die;
- b if you remarry or enter into a new civil partnership.

5.22 If you remarry or enter into a new civil partnership, periodical payments would cease; lump sum payments would continue to be made unless changed by a further Court Order. It is your responsibility to inform **Veterans UK** three months in advance, if you intend to remarry or enter into a new civil partnership. **Veterans UK** will not become involved in any disputes regarding overpayments.

6 Spouse and Civil Partner - Frequently Asked Questions

6.1 What happens to the money that is taken from my former spouse's/civil partner's pension until I receive my pension credit through a PSO?

The **PSO** has to be implemented at the time of the divorce. This means that, if the pension is in payment, that pension must be reduced by the percentage ordered by the Court from the date the **PSO** takes effect. Armed Forces pensions are unfunded, they are paid from money drawn from current tax revenue when they become payable.

6.2 I cannot get my pension paid until I reach the deferred pension age of the scheme whereas my former spouse/civil partner will receive their pension earlier. Why can I not draw my pension at the same time from a PSO?

Members of the Armed Forces are entitled to payment of a pension at the normal pension age of their pension scheme. A **PCM** becomes a member of the pension scheme and receives benefits at the same age as deferred pension members of that scheme.

Pension benefits, however, may be paid from the age of 55, but these pension benefits will be actuarially reduced due to early payment. Therefore, if you apply for your pension at an earlier age from which it otherwise would be payable, it will need to be reduced to reflect the fact that it will be in payment for a longer period. You can either write to **Veterans UK** requesting them to put your pension into payment from age 55, or at the earliest opportunity if you are already over 55, or you can ask for a revised valuation before you make that decision.

6.3 My former spouse/civil partner is not keeping up maintenance payments. Can you pay me direct from their pension?

No. Veterans UK can only act upon Court Orders for PSOs, AOs and EOs.

6.4 Can you tell me in advance what I am entitled to from my spouse/civil partner's pension?

No. The role of Pension Scheme Administrators (**Veterans UK**) in divorce or dissolution cases is limited to providing information about the member's pension benefits and implementing any Order the Court may make. This question should be referred to a suitably qualified legal representative.

6.5 Why can't I have a share of my former partners EDP?

The **EDP** is not a pension. Therefore, the **PSO**, **EO** or **AO** can only be applied to the pension when paid and not to the **EDP**. The legislation that implements the **EDP** prevents attachments being made to the **EDP**.

6.6 What if my former spouse/civil partner refuses to ask for a CEV?

Your legal representative would have to go back to Court and ask the Court to direct the Pension Scheme Administrators, **Veterans UK** to provide it.

6.7 Is there a complaints procedure if I am unhappy with the service provided by Veterans UK?

Veterans UK make every effort to get things right. However, occasionally things do go wrong and you may wish to complain. In the first instance, you should write to the

address in Section 9.

7 Information for Legal Representatives

7.1 This information **Veterans UK** covers some common issues raised by legal representative.

a **Veterans UK** cannot accept **PSO**s that specify a period of deferment between the date they are made and the date they are to be implemented. Such an arrangement does not comply with the legislation. An alternative might be for the hearing of an application for a **PSO** to be postponed to a future date, so that the **PSO** is made on that future date. **Veterans UK** could then implement the **PSO** within the usual timescale.

b **Veterans UK** cannot implement **PSO**s, **AO**s or **EO**s that are not in accordance with pension sharing legislation. Only Scottish Law allows a **PSO** to be shared in monetary terms – rather than percentage terms.

c A Court Order cannot specify any dates that are to be used for valuation or implementation (see Effective Date, **Transfer Day** and **Valuation Day** under "Terms you need to understand" section).

d Should the member refuse to ask for a **CEV**, you will have to go back to the Court and ask the Court to direct the pension scheme administrators to provide a **CEV**.

e It is not possible to exclude individual elements of the **CEV** from the pension sharing arrangement.

f Many members of the Armed Forces now have pension rights in more than one scheme.

g It is essential that the correct Annex is used in the Court Order for a **PSO** or an **AO**. The Pension Attachment Annex under Section 25B or 25C of the Matrimonial Causes Act 1973 or Paragraph 25 or 26 of Schedule 5 to the Civil Partnership Act 2004 (Form P2) are for an **AO**. The Pension Sharing Annex under section 24B of the Matrimonial Causes Act 1973 or Paragraph 15 of Schedule 5 to the Civil Partnership Act 2004 (Form P1) are for a **PSO**.

h The parties going through divorce or dissolution should be clear about the implications of agreeing a **PSO**, **AO** or an **EO** and their differences. Most important is the date when the benefits become due for payment. For **PSO**s see deferred pension age in Section 10. For **AO**s and **EO**s the age that a pension can be paid depends on the member's scheme. The MOD publishes guides on each pension schemes, these can be found on the <u>Armed Forces pensions page</u>.

i An **AO** cannot stipulate that it continue after remarriage or entry into a new civil partnership. The legislation does not allow this.

j The **AO** and **EO** should clearly state whether the member must take Resettlement Commutation (**AFPS 75**) or Retirement Commutation (**AFPS 15**).

k **Veterans UK** must continue to comply with **AO**s until a further Court Order is issued cancelling the **AO**.

1 **Veterans UK** cannot provide estimates of percentages required to achieve equal or specific incomes.

m Periodical payments to a former spouse or civil partner as a result of an **AO** will start at the next available payment date and cannot be backdated to the date of the Order.

n The valuation of members' pensions can vary depending on whether the valuation is undertaken before or after their IPP – See Paragraphs 3.18 to 3.24.

o The **AFPS 15** scheme does not provide an automatic pension lump sum.

7.2 Under no circumstances can any pension benefits be assigned to a legal representative or other third party even after a written request from the member. The Armed Forces Act 2006 prohibits such an assignment. Payment can only be made to the former spouse or civil partner and only on receipt of a **PSO**, **AO** or **EO**.

7.3 Resettlement Grants, **EDP** or any benefits paid out under the Armed Forces Attributable Benefits Scheme, the Armed Forces Compensation Scheme or the War Pension Scheme are not pension benefits and therefore are excluded from being shared or attached under a **PSO**, **AO** or **EO**. **Veterans UK** cannot be instructed to pay these sums to anyone other than the scheme member. However, the court may take these amounts into account when offsetting.

7.4 The scheme rules relating to **AFPS 75** are contained in three Prerogative Instruments, as amended:

a Naval and Marine Pay and Pensions (Armed Forces Pension Scheme 1975 and Attributable Benefits Scheme) (Amendment) Order 2010,

b the Army Pensions (Armed Forces Pension Scheme 1975 and Attributable Benefits Scheme) (Amendment) Warrant 2010,

c Air Force (Armed Forces Pension Scheme 1975 and Attributable Benefits Scheme) (Amendment) Order 2010.

You can read more on Armed Forces Pension Scheme 1975 Regulations.

7.5 The scheme rules for **AFPS 05** and **RFPS 05** are contained in Statutory Instrument 2005 No. 438 and the Reserve Forces Pension Scheme Regulations 2005 as amended. Policy guidance on the scheme rules are contained in JSP 764.

7.6 The scheme rules relating to **AFPS 15** are contained in:

a. The Armed Forces Pension Regulations 2014 Statutory Instrument 2014 No 2336

b. The Armed Forces (Transitional Provisions) Pensions Regulations 2015 Statutory Instrument No 568

There are also pension scheme guides available on the Armed Forces Pensions page.

7.7 If you require more information on pension on divorce issues, you can write to **Veterans UK** (see section 9 for address).

8 Scottish Law

8.1 There are five main points of difference in the law between England, Wales and Northern Ireland and Scotland. This section should be read in conjunction with the more detailed explanations of the general pensions on divorce or dissolution rules in the rest of the guide. The five main differences are:

a Scottish law sets out a definition of Matrimonial Property that needs to be quantified by the couple going through divorce or dissolution, or the Court.

b The pension benefits to be shared on divorce will be that part of those benefits earned or purchased during the marriage or civil partnership up to the **Relevant Date.** This is the earlier of (i) the date on which the couple ceased to cohabit as marriage partners or civil partners or (ii) the date on which the summons was served in the action for divorce or dissolution, if the couple continue living together.

c If the parties agree that the marriage or civil partnership ended on a date more than 12 months before the divorce or dissolution, then **Veterans UK** will supply a valuation of benefits as at that date. If the couple do not nominate a date, **Veterans UK** will provide a current valuation.

d The Court Order can specify a monetary amount rather than a percentage.

e There is no equivalent in Scottish law to an Attachment Order. It is, however, possible to obtain an Earmarking Order in Scotland, which has the effect of attaching a pension lump sum.

Cash Equivalent Valuation (CEV)

8.2 If applicable, **CEV**s provided for Scottish divorces or dissolutions can be based on the member's pension benefits on the relevant date of separation. This is different to English law where **CEV**s can only be valued on a current date. This means that for **AFPS 75** and **FTRS 97** the member's length of service and rank at the relevant date will be used, and for **AFPS 05** and **RFPS 05** the member's best consecutive twelve months final pensionable pay in the three years preceding the relevant date will be used in the valuation. For **AFPS 15** it will be the value of the member's pension pot.

8.3 Scottish law specifies a formula to be used to value the matrimonial element of the pension. This is:

A x (B÷C) where:

A = the value of the **member's** pension benefits, calculated up to the **relevant date**.

B = period of membership of the scheme before the relevant date within the period of the marriage or civil partnership; where there is no such period, the value of B is zero.

C = period of membership of the scheme before the **relevant date**.

8.4 Veterans UK will not perform this calculation, as they are not required to do so by law. It is suggested that matters are discussed with a suitably qualified legal representative.

Pension Sharing Orders

8.5 A **PSO** made under Scottish law can define a former spouse or civil partner's share as a monetary value, rather than as a percentage. However, **Veterans UK** are obliged to calculate the reduction in the member's benefits by calculating the proportion (to the nearest full percentage) that is represented by the sum of the former spouse or civil partner's share (as shown in the Court Order) in this way:

8.6 If the whole value of the pension at the valuation date was £200,000 and the Court Order showed your former spouse or civil partner's share to be £50,000, then the proportion of the member's pension benefits represented by his or her share would be

 $\pounds 50,000 \div \pounds 200,000 \times 100\% = 25\%.$

8.7 The arrangement for giving a 25% pension share to the former spouse or civil partner would then be the same as under English law.

8.8 When implementing a **PSO**, the scheme will value the benefits accrued on the day before **Transfer Day**. The amount to be transferred will then be applied to the revised valuation.

Earmarking Orders (EO)

8.9 There is no equivalent to an **AO** under Scottish law. It is however possible to obtain from the Scottish Courts an **EO** on divorce or dissolution. This Order has the effect of attaching a specified percentage or monetary amount of the member's pension lump sum. An **EO** will require **Veterans UK** to pay over that part of the member's pension lump sum directly to the former spouse or civil partner, at the time when it would otherwise have become payable to the member.

8.10 A Scottish **EO** can only be made in respect of a pension lump sum. It is not possible to earmark monthly pension payments.

9 Further Information

9.1 Veterans UK cannot offer you advice on pension benefits on divorce or dissolution. You should speak to an independent financial advisor and/or a legal representative. **Veterans UK** can, provide you with **CEV**s in preparation for a divorce or dissolution settlement.

9.2 Correspondence in relation to divorce or dissolution should be clearly headed as such and sent to:

Pensions on Divorce Section Veterans UK JPA Pensions Division Mail Point 480 Kentigern House 65 Brown Street Glasgow G2 8EX

Tel (Civ): 0800 085 3600 (or outside UK phone: +44 141 224 3600) Tel (Mil): 94560 3600

Monday to Friday: 0700 - 1900

Fax (Civ): 0141 224 3586 Fax (Mil): 94561 3586

Email: DBS-PensionsHelp@DBSPV.MOD.UK

9.3 Veterans UK will aim to acknowledge complaints within two working days of receipt and respond within ten working days where possible. If you are unhappy with the outcome of a complaint, the Internal Disputes Resolution Procedure (IDRP) can be invoked by putting your complaint in writing to Veterans UK. See guide MMP/130 'Armed Forces Pension Schemes – Internal Dispute Resolution Procedures₃ for further information.

9.4 Further information can be found on the <u>Armed Forces pension schemes</u> page.

AFPS 15

• Your Pension Scheme Explained – YPSE 15

AFPS 05:

- Your Pension Scheme Explained MMP/124
- Family Pension Benefits MMP/126
- III-health Benefits MMP/127

AFPS 75:

- Your Pension Scheme Explained MMP/106
- Family Pension Benefits MMP/114

³ https://www.gov.uk/government/publications/internal-dispute-resolution-procedure

RFPS 05:

• Reserve Forces Pension Scheme – Your Pension Scheme Explained – MMP/146

And general guides that cover most schemes:

- Pensions Tax
- Re-employment MMP/116
- Increasing Benefits MMP/128
- Transferring Benefits MMP/129
- Internal Dispute Resolution Procedures MMP/130

10 - Terms Used in this Guide

Additional Voluntary Contributions (AVCs) and Added Years Contracts	These are voluntary payments made by a scheme member to enhance their pension or the benefits available to their dependants. These are included in divorce or dissolution settlements.
Armed Forces Pension Scheme 2015 (AFPS 15)	The Armed Forces Pension Scheme 2015 (AFPS 15) was introduced on 1 April 2015. AFPS 15 is the pension scheme for Regular and Reserve Service personnel who first join the Armed Forces from 1 April 2015, and those Service personnel who were already in Service before that date and did not qualify for Transitional Protection in their legacy pension scheme.
	Rights to pension benefits accrued by AFPS 15 members as a result of their membership of a legacy schemes are protected. This means pension benefits already earned in a legacy scheme, up to 1 April 2015, will be guaranteed and Service personnel will be able to draw these benefits at the same time as they would expect to (in accordance with legacy scheme rules). They will maintain the link to the final pensionable salary at the date of leaving the Armed Forces, not the salary/rank at the time of transfer to AFPS 15 . Pension benefits transferred in from another scheme increase the value of the pension as does a credit resulting from the purchase of Added Years. Certain absences do not count, including detention, unauthorised absence or unpaid leave.
	AFPS 15 is a defined benefits Career Average Re-valued Earnings (CARE) scheme. Every year, an amount equal to 1/47th of annual pensionable earnings for that year is added to an individual 'pension pot'. The 'pension pot' starts to accumulate from the first day of paid service. It is carried forward each year where it grows to ensure that it tracks inflation and maintains its value. This growth, known as indexation, is based on the Average Weekly Earnings index and is similar to money in a bank account earning interest. This process is repeated every year until the member leaves the Armed Forces.
	In AFPS 15 , the normal pension age is age 60 and the deferred pension age is linked to the member's individual State pension age. Members may be eligible for an Early Departure Payment (EDP) when leaving the Armed Forces after serving 20 years and reaching at least age 40. The EDP is not a pension. It will be paid until the member reaches deferred pension age after which it is replaced by the member's pension.
	AFPS 15 does not pay a pension lump sum unless the member commutes some of their pension to generate the lump sum, although an EDP lump sum may be payable.
Armed Forces Pension Scheme 2005 (AFPS 05)	This is the pension scheme for Regular Service personnel who joined or re-joined the Armed Forces from 6 April 2005 to 31 March 2015. Only re-joiners with Transitional Protection can re-

	join AFPS 05 on or after 1 April 2015.
	Members of AFPS 75 who were already in Service on 6 April 2005 and were still in Service on 6 April 2006 were given an opportunity to transfer to AFPS 05 .
	AFPS 05 is a defined benefits scheme. Pension benefits are based on final pensionable earnings - that is the greatest amount received for 365 consecutive days over the last three years of service. Members may leave the Service with an EDP (this is not a pension) after serving 18 years and reaching at least age 40. The EDP will be paid until the member is age 65 after which a pension is paid.
	The normal pension age is 55 and the deferred pension age is 65.
Armed Forces Pension Scheme 1975 (AFPS 75)	This is the pension scheme for Regular Service personnel. It was introduced in 1975and closed to new entrants from 6 April 2005.
	AFPS 75 is a defined benefit scheme. For officers and other ranks below 2 star, pension benefits are based on representative rates of pay for the rank held at the time of retirement. For senior officers at 2 star and above (Rear Admiral, Major General and Air Vice Marshal) pensions are based on final pensionable earnings.
	The normal pension age is 55 but an Immediate Pension is available after 16 years qualifying service for officers and 22 years qualifying service for other ranks. The deferred pension age is 60 for service before 6 April 2006 and age 65 for service from 6 April 2006.
Annual Allowance (AA)	The annual allowance is a limit on the total amount of benefits that you can build up in all pension schemes each year, without a tax charge.
	The annual allowance is currently £40,000 (2015/16) for most members. Although a lower limit may apply if you have already started drawing a pension or your income exceeds £110,000 (from 2016/17).
	If you exceed the annual allowance in a year, a tax charge will be due. If the annual allowance charge is more than £2,000, you can ask your pension scheme to pay the charge from your benefits. This means your pension scheme benefits would be reduced. See Scheme Pays.
	You may be able to bring forward any unused annual allowances from the previous three tax years, to either reduce your annual allowance charge to a lower amount or reduce the annual allowance charge completely.
	MOD Internal guidance is produced in a DIN each year, search 'Pensions Tax', see also HMRC guidance such as <u>Pension</u> savings - tax charges (Self Assessment help sheet HS345).

Annual Allowance Re-Referencing	When a PSO debit is initially calculated, the amount to be debited is based on the values on the day before the Transfer Day (the day on which a PSO is implemented).
	If the member has not reached their IPP then the debit is calculated on the assumption that the pension will be payable from the member's scheme deferred pension age. However, when the member passes their IPP , the pension entitlement is no longer payable from the scheme pension age; instead it is payable immediately on leaving the Service at an earlier age.
	For this reason, the debit is re-valued based on the member's current age, as it can be deducted over a longer time rather than recovered from the deferred pension age. The re-valued debit is lower than the initial debit, which means that the annual pension due automatically increases. In some circumstances, this can cause a tax charge when this 'increase' is included in AA calculations.
Attachment Order (AO)	An AO specifies a portion of the income or the pension lump sum or death benefit of a pension (or a combination), without transferring any rights of ownership to the ex-spouse or ex- partner.
	A percentage of the pension, lump sum or death benefit is paid to the ex-spouse or ex-partner either immediately (if the pension is already being paid) or from a date in the future when the pension is drawn (for example at normal retirement age).
	The pension remains the income of the scheme member and:
	 he or she is chargeable to income tax on the whole amount and
	 no deduction is available for the amount paid under the attachment order.
	The pension received by the non-scheme member's ex-spouse or ex-partner is tax-free in his or her hands.
	In England, Wales and Northern Ireland these payments can be made from pension income, lump sum or death benefit.
	In Scotland, they can only be made from the pension commencement lump sum.
Attributable Benefits	Where the cause of death or injury was before 6 April 2005, attributable benefits may be paid under two schemes:
	- the War Pension Scheme
	- the Armed Forces Attributable Benefits Scheme
	If an injury, illness or death was caused by service in the Armed Forces after 6 April 2005, Attributable Benefits are paid under the Armed Forces Compensation Scheme 2005 (AFCS 2005).

	Attributable benefits are not shareable in a divorce or dissolution settlement.
Cash Equivalent Value (CEV)	This is a valuation of the scheme member's benefits for divorce or dissolution purposes.
Civil Partner/Civil Partnership or Same Sex Marriage	The member enters into a legally recognised marriage/partnership with another person of the same sex in accordance with the Civil Partnership Act 2004 or the Marriage (Same Sex Couples) Act 2013.
	If the Civil Partnership is legally dissolved, the Court can consider pension sharing in the same way as when a married couple divorce.
Consumer Price Index (CPI)	This is published monthly to measure the change in price levels in the UK. It is used to increase the value of pensions in April every year using the previous September's annual headline rate of inflation. See definition for "index linking".
Credit or Pension Credit	A former spouse or civil partner's share of the value of a scheme member's pension benefits as a result of a PSO .
Debit or Pension Debit	The reduction to the value of a scheme member's pension benefits applied following a PSO .
Deferred Pension Age	The member must serve at least two years or have transferred years from another scheme. The deferred pension age is:
	AFPS 15 members with at least two years qualifying service and who leave the Armed Forces before reaching the AFPS 15 Normal Pension Age (age 60) will be entitled to a Deferred Pension, paid at their State Pension Age. AFPS 15 members who leave the Service before age 60 may be entitled to Early Departure Payments (EDP) up to their State Pension Age provided they have reached their EDP point (20 years' service and are at least age 40).
	AFPS 05 members who leave Service before the Normal Pension Age (age 55), with a minimum of two years qualifying service or a transfer in from another pension scheme will be entitled to a Deferred Pension payable from age 65. AFPS 05 members who leave Service before age 55 may be entitled to EDP up to age 65 provided they have reached their EDP point (18 years/age 40).
	AFPS 75 members who have at least two years qualifying service but have not reached the Immediate Pension Point will be entitled to a Deferred Pension payable from age 60 for service before 6 April 2006 and from age 65 for service from 6 April 2006.
	FTRS 97 members who leave Service with a minimum of two years qualifying service or a transfer in from another pension scheme but have not reached Normal Pension Age (age 55 or 60, this is dependent on the type of FTRS commitment) will be entitled to a Deferred Pension payable at age 60 for service before 6 April 2006 and from age 65 for service after 6 April

	2006.
	RFPS 05 members who leave Service before their Normal Pension Age (age 60) will be entitled to a Deferred Pension payable from age 65. There is no minimum qualifying service requirement for a Deferred Pension for RFPS 05 members.
	NRPS the Normal Pension Age and the deferred pension age is 60.
Early Departure Payments (EDP)	The EDP is separate to the Armed Forces pension. The purpose of an EDP is to retain Regular personnel in Service through to at least age 40 and to compensate for the fact that a full career is not available to the majority.
	AFPS 15 - An EDP is paid to members who leave the Regular Armed Forces before age 60, after a minimum of 20 years qualifying Service AND who are at least age 40. The EDP is paid until the member reaches the deferred pension age (this age is linked to state pension age).
	AFPS 05 - An EDP is paid to members who leave the Regular Armed Forces before age 55, after a minimum of 18 years qualifying Service AND who are at least age 40. The EDP is paid until the member reaches age 65 (deferred pension age).
	EDP is not available to scheme members of AFPS 75, FTRS 97 or RFPS 05 and NRPS.
	The EDP is not a pension and so cannot be included in Court Orders for pension sharing or pension attachment. Although it can be considered as a matrimonial asset and offset against the pension fund value.
Earmarking Order (EO)	A Court Order under Scottish law made as part of a divorce or dissolution settlement, instructing a pension scheme to pay all or part of a scheme member's lump sum to the scheme member's former spouse or civil partner when it becomes payable to the scheme member.
Former Spouse or Civil Partner	A scheme member's spouse or civil partner after they have divorced, their marriage annulled or the civil partnership dissolved.
Full Time Reserve Service and Additional Duties Commitment	Full Time Reserve Service (FTRS) is a period of full time service undertaken by a member of the Reserve Forces, in accordance with Reserve Forces Act 96.
	Additional Duties Commitment (ADC) is a period of service by a member of the Reserve Forces. The member commits to attending for duty on days or part-days each week. The maximum ADC commitment in any 12-month period is total of 180 full working days.
Full Time Reserve Service Pension Scheme 1997 (FTRS 97)	This is the pension scheme for members of the Reserve Forces employed in FTRS or ADC roles before 6 April 2005. Those who joined FTRS or ADC on or after 6 April 05 automatically joined RFPS 05 . Members without Transitional

	Protection were transferred to AFPS 15 on 1 April 2015.
	This is a defined benefits scheme. Pension is based on final pensionable earnings.
	The normal pension age in the scheme varies depending on the type of FTRS commitment undertaken:
	a. age of 55 in relation to a member who undertakes
	(i) a Full Commitment FTRS;
	(ii) a short term volunteer commission; or
	(iii) an S-type engagement;
	b. age of 60 in relation to a member who undertakes
	(i) Home Commitment FTRS; or
	(ii) Limited Commitment FTRS.
	The Deferred pension age is 60 for service before 6 April 2006 and age 65 for service after 6 April 2006.
Index linking	Pensions in payment are increased in value in line with inflation. Inflation is measured by reference to the Consumer Prices Index. Changes are made in April, using the previous September's annual headline rate of inflation. All are index- linked from the date of payment. However, the following exceptions apply:
	 AFPS 75 members – the Immediate Pension is not index-linked until age 55. Increases will be backdated to the date you left the Armed Forces.
	 - AFPS 15 and AFPS 05 members – EDP are not index- linked until age 55. Increases will be backdated to the date you left the Armed Forces.
III Health Pension	An III health Pension can be subject to a Court Order on divorce or dissolution. An iII health pension is not to be confused with benefits paid under the Armed Forces Attributable Benefits Scheme 2010, the Armed Forces Compensation Scheme, or the War Pension Scheme. These benefits do not form part of an Armed Forces Pension or Reserve Forces Pension, but may be paid concurrently.
Immediate Pension Point (IPP)	This is the earliest point a serving member of the Armed Forces may retire and receive a pension. The IPP should not be confused with Deferred Pension age or the age an EDP can be paid:
	- AFPS 15 Immediate Pension is age 60
	- AFPS 05 Immediate Pension is age 55
	 - AFPS 75 IPP is after 16 years qualifying service from age 21 as an Officer or 22 years qualifying service from age 18 as an Other Rank.
	- FTRS 97 Full Commitment terms IPP is age 55

	 - RFPS 05, FTRS 97 (HC and LC commitments) age 60, and NRPS is age 60
Implementation Period	The implementation period is the four month period beginning with the later of:
	 The day on which the PSO takes effect (the Transfer Day); or
	 The first day on which Veterans UK receives all the relevant pension sharing documentation including payment of any administrative charges.
Internal Dispute Resolution Procedures (IDRP)	All occupational pension schemes are required to have an internal dispute resolution procedure in place to resolve pension disputes. Please see the guide "MMP/130 Armed Forces Pension Schemes –Internal Dispute Resolution Procedures" for further information and details on the procedures.
Legacy Pension Scheme	All Armed Forces pension schemes that existed before AFPS 15 are now legacy schemes.
Life Commutation	Life Commutation is permanently giving up pension in return for an additional tax-free lump sum.
	This is only available to AFPS 75 scheme members who leave the Armed Forces with an entitlement to an Immediate Pension (other than ill health benefits) whose pensionable service began before 1 April 1978. Benefits may only be taken for service up to 6 April 1980.
Matrimonial Property	A Scottish legal term for the property accrued during the marriage or civil partnership and belonging to the couple jointly or separately on the relevant date (i.e. the date on which the couple cease to live together as husband and wife or civil partners or if they continue living together at the date when divorce or dissolution proceedings were started). For pension purposes, Matrimonial Property includes the portion of any rights under a pension scheme earned during the period of marriage or civil partnership before the relevant date.
Member	A person who:
	 has joined one of the Armed or Reserve Forces Pension Schemes and who is earning pension benefits under one of these schemes (active member), or
	 has a Deferred Pension under one of the schemes (deferred member), or
	 is receiving a pension under one of the schemes (pensioner member).
	- If the member has been divorced and a Pension Sharing Order applied, they will become a Pension Debit Member and their ex-spouse/civil partner will become a Pension Credit Member of the scheme. The Pension Credit Member cannot transfer in or out any

	pension benefits.
NRPS - Non Regular Permanent Staff Pension Scheme	This is a defined benefits scheme, Pension benefits are based on final pensionable earnings.
	The normal pension age is 60 (in certain circumstances it may be age 55) and the deferred pension age is 60.
	Members without transitional protection were transferred to AFPS 15 on 1 April 2015.
Offsetting	This is where couples who are going through a divorce or dissolution of a civil partnership offset the pension fund value against other assets such as the family home. It is sometimes used as an alternative to pension sharing.
Pension Credit Member (PCM)	Once a PSO has been implemented, the former spouse or civil partner of the member becomes a PCM and a member of the pension scheme(s) in his or her own right. The PCM is a member of the scheme(s) the PDM belonged at the time the Court Order was made.
Pension Debit Member (PDM)	Once a PSO has been implemented, and the AFPS/RFPS member's pension is reduced, the member is referred to as a PDM. The member's pension is adjusted to reflect the value of the pension credit, which has to be funded by the pension debit.
Pension Lump Sum	HMRC currently allow up to 25% of your overall pension benefits to be taken as a lump sum. This is paid at the same time as the pension is awarded. Most Armed Forces schemes, like AFPS 75 and AFPS 05 , automatically pay a pension lump sum. However, AFPS 15 does not pay a lump sum unless the member commutes some of their pension to generate the lump sum. See Retirement Commutation.
Pension Sharing Order (PSO)	An Order made by a Court on divorce or dissolution of a civil partnership creating pension benefits for a former spouse or civil partner out of the benefits that the member has built up in the scheme.
	The former spouse or civil partner becomes members of the scheme in their own right and this achieves what is known as a clean break settlement. The PSO will specify the percentage (or monetary amount for Scottish cases) that is to be deducted from the member's benefits.
Reckonable Service	This refers to the period of service used to calculate a member's pension.
	In AFPS 75 members' Reckonable Service for officers, starts at age 21, for a maximum of 34 years, and for other ranks, it starts at age 18, for a maximum of 37 years.
	In AFPS 05 and RFPS 05 member's Reckonable Service starts from the first day of paid service in the Armed Forces. The maximum service in AFPS 05 and RFPS 05 may not exceed 40 years.

	AFPS 15 Qualifying Service starts from the first day of paid service in the Armed Forces. There is no maximum service in AFPS 15 .
Relevant Date	In Scottish law, this is the agreed date that the marriage or civil partnership ended. It is either the date the couple ceased to live together, or if still living together, the date on which the divorce or dissolution proceedings were started.
Reserve Forces Pension Scheme 05 (RFPS 05)	The pension scheme is applicable to those who serve on Full Time Reserve Service (FTRS) terms, Additional Duties Commitment (ADC) terms and those who are mobilised between 6 April 2005 and 31 March 2015. Only re-joiners with Transitional Protection can re-join RFPS 05 on or after 1 April 2015.
	RFPS 05 is a defined benefits scheme. Pension is based on final pensionable earnings. In this scheme, the normal pension age is age 60. The deferred pension age is age 65. Short periods of service will result in a very small pension, which the member may be able to convert into a one-off lump sum (Trivial Commutation or Small Pot Commutation).
Resettlement Commutation	Resettlement Commutation is the giving up of part of the member's Immediate Pension (eligible AFPS 75 members only) in return for an additional tax-free lump sum. At age 55, the pension is restored in full.
Retirement Commutation	HM Revenue and Customs (HMRC) currently allow up to 25% of overall pension to be taken as a lump sum. All the Armed Forces pension schemes except AFPS 15 , automatically pay a tax-free pension lump sum on reaching pension age. The amount of the lump sum will depend on the scheme and the amount of annual pension payable.
Retirement Commutation – AFPS 15	AFPS 15 will not automatically pay a pension lump sum; however, a tax-free lump sum can be created by 'surrendering' a part of annual pension. This is known as commutation. HM Revenue and Customs (HMRC) currently allow up to 25% of the overall pension benefits to be taken as a lump sum. The commutation rate is fixed at 12 to 1; so each £1 of pension given up, will 'buy' a lump sum of £12. This decision is made for life therefore choosing this option cannot be reversed. The decision to commute must be made within the 6 months before the pension is due to be paid.
Scheme Pays	Armed Forces Pension Scheme members whose Annual Allowance tax charge is in excess of £2,000 are eligible to elect Scheme Pays. Scheme Pays mitigates the effect of the tax charge as the pension scheme meets the charges and the member's pension benefits are reduced, for life, once the pension comes into payment. See DIN index and search for 'Pensions Tax' (DINS are not available outside MOD).
	Once the scheme administrator has received the request, it cannot be withdrawn unless the reason for doing so is because

	there was an error in the statement. The amount payable in this instance could be amended or the decision revoked if it resulted from an incorrect statement. The time limit for amending the amount payable by Scheme Pays is a period of 4 years from the end of the tax year to which the AA charge relates. See HMRC guidance http://www.hmrc.gov.uk/manuals/ptmanual/ptm056440.htm
Spouse	A legally married (including separated, but not divorced) partner of the scheme member.
Transfer Day	The Transfer Day is the day on which a PSO can take effect (also known as the Effective Date). In England, Wales and Northern Ireland, the order takes effect from the later of -
	 (a) the date on which the Decree Absolute of Divorce or Nullity of marriage is granted or the Final Order of Dissolution or Nullity of civil partnerships is made;
	(b) 28 days from the date of the PSO , or where the Court has specified a period for filing an appeal notice, 7 days after the end of that period;
	(c) where an appeal has been lodged, the effective date of the order determining that appeal.
	In Scotland, the PSO takes effect from the date of the divorce certificate called the extract decree of divorce or extract decree of dissolution of a civil partnership.
Transitional Protection (also known as Full Protection)	Transitional protection is the protection awarded to individuals who, as of 1 April 2012, had ten years or less to serve to reach their Public Service Pension Scheme's Normal Pension Age. Individuals with transitional protection remain in their existing pension scheme and do not transfer into AFPS 15 .
	AFPS 75 , AFPS 05 , and FTRS 97 (Full Commitment) have a normal pension age of 55.
	RFPS 05 , FTRS 97 (on Limited or Home Commitment terms) and NRPS have a NPA of 60.
Valuation Day	Having identified the benefits to be valued, the valuation takes place on the Valuation Day . The Valuation Day can be any day of the scheme's choosing within a four-month period which begins from the later of, the Transfer Day or the day Veterans UK receives all relevant pension sharing documentation including payment of any administrative charges.
Veterans UK	Veterans UK is part of the MOD with day-to-day responsibility for the administration and certain management responsibilities for:
	- Armed Forces Pension Schemes (AFPS),
	- Reserve Forces Pension Schemes (RFPS),
	- the Armed Forces Attributable Benefits Scheme,

 the Early Departure Payment Scheme,
 the Armed Forces Compensation Scheme,
- the War Pension Scheme and
 the authority for payments under these Schemes.
Veterans UK (Glasgow) are the administrators of the AFPS, RFPS, EDP , Armed Forces Attributable Benefits Scheme and
Veterans UK (Norcross) are the administrators of the Armed Forces Compensation Scheme and the War Pension Scheme.