

# What happens if your marriage or civil partnership ends?

This leaflet gives general information about how a pension sharing order on divorce or the end of a civil partnership can affect your Tesco pension benefits. Pension sharing allows pension rights to be treated in the same way as the other matrimonial assets.

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

**Pension benefits can be dealt with in one of three ways:**

• **Offsetting**

The value of your pension can be offset against other assets such as property and your former spouse or partner can receive these assets rather than your pension.

• **Earmarking**

A specified amount of your pension or lump sum on retirement can be paid to your former spouse or partner. Earmarked benefits can only be paid to your former spouse or partner when you take your retirement benefits and only for as long as you live.

• **Pension Sharing**

Your former spouse or partner can be awarded a proportion of the value of the pension that you have built up. This proportion is paid to the pension provider of their choice and your total benefit entitlement is reduced.

**Pension benefits that can be included in a Pension Sharing Order**

- Pensions in payment
- Employer pension schemes such as the Tesco Scheme
- Additional voluntary contributions
- Personal pensions including stakeholder pensions
- Additional parts of the state retirement benefits (known as the State Second Pension or S2P)
- The element of the New State Pension that is known as the “protected payment” and derives from additional state pension built up before that date

These pension entitlements are shared as shown in the Pension Sharing Order

**Pension benefits that cannot be included in the Pension Sharing Order**

- Basic State Pension
- New State Pension entitlement built up from 6 April 2016
- State Graduated Pension or Equivalent Pension Benefit
- Widow's or widower's pension already in payment
- Any benefits already subject to an earmarking order

## **How pension sharing works**

The Order is based on a value called the cash equivalent transfer value of your pension benefits – this is the amount the Scheme would pay if you moved the value of your pension out of the Scheme.

The Pension Sharing Order will state what proportion of your pension must be allocated to your former spouse or partner. The split can be any percentage the court specifies.

Your former spouse or partner will receive this share of the cash equivalent transfer value of your pension benefits. This is called a “Pension Credit” and has to be moved out of the Tesco Scheme to another arrangement chosen by your former spouse or partner. We will send this amount to their new arrangement which must be a pension scheme that is registered with the Revenue.

The reduction to your pension is called a “Pension Debit” – and is an actual yearly amount of pension. The amount will be increased in the same way as if you had left the Scheme at the date the pension sharing took effect, and will be deducted from the pension you eventually receive.

In Scotland, only the pension that you built up during the time of your marriage will be included in the Pension Sharing Order.

## **What happens to your Tesco pension?**

The pension that you've built up is reduced by the pension debit; this affects your pension on retirement, whether you start taking it at the Scheme's normal retirement age or opt for early or late retirement, and your ill health cover. It does not affect any cash sums paid on death while you are an active member of the Scheme building up pension, but any partner's or children's benefits, and benefits on death after leaving the Scheme will be reduced.

**If you have any questions or need any further information, please contact the Pensions Team:**

**Write to:**

Pensions Department,  
PO Box 567,  
Welwyn Garden City  
AL7 9NN

**Phone:**

0345 070 1113 (Option 2)  
Monday to Friday, 9am–5pm

**E-mail:**

pensions.dept@tesco.com

We cannot advise you on which option would be best for you and we recommend that you seek advice from a solicitor and consider discussing the implications for your retirement income with an independent financial adviser.

## Jargon buster

**Additional voluntary contributions (AVCs)** – Extra contributions by the member on top of their normal contribution or salary sacrifice – invested separately in a personal fund and then the balance is used at retirement to provide money purchase benefits.

**Basic state pension** – The flat rate state pension paid to all people who have paid the minimum National Insurance contributions.

**Deferred pension** – The pension calculated at the date of leaving and increased in accordance with the Scheme Rules. Broadly, for pensions in excess of guaranteed minimum pension, this means an increase before payment by the percentage rise in the cost of living (at the rate specified by the government which is currently based on the Consumer Prices Index) up to 5% for each complete year between leaving and retirement.

**Earnings cap** – Used to limit the maximum benefit from the Scheme for members who joined after 31 May 1989. The Earnings Cap is currently £145,800.

**Guaranteed minimum pension** – Members of the Scheme before 1997 may have built up a Guaranteed Minimum Pension. This represents the additional state earnings related pension or S2P that the member would have built up but is paid instead by the Tesco Scheme. This increases after leaving by increases in average earnings.

**New State Pension** – The new simplified State Pension payable to those reaching State Pension age from 6 April 2016 who have paid sufficient National Insurance contributions.

**Pension credit** – Pension awarded to a former spouse or partner. This will normally be paid as a cash sum to their registered pension arrangement.

**Pension debit** – Reduction in the member's pension benefits. This corresponds with the pension credit for the member's former spouse or partner.

**Pension Sharing Order** – This is a legal document issued by the courts that splits a member's pension benefits between the member and divorced spouse or partner. The benefits belong to the member and divorced spouse or former civil partner separately and each can decide when to take their benefits.

**State Second Pension (S2P)** – This is the second part of the state retirement pension which is earnings related. This was called the State Earnings Related Pension Scheme (SERPS) between April 1978 and April 2002. Members of the Tesco Scheme do not build up S2P, as they pay reduced National Insurance contributions and build up Tesco pension instead.

**State Graduated Pension Scheme** – The state earnings related scheme between April 1961 and April 1975. The pension depends on the number of graduated units purchased during this period and the value on retirement.

## Charges and notes

| Process                               | Cost – member has not yet taken pension | Cost – pension in payment |
|---------------------------------------|-----------------------------------------|---------------------------|
| Cash equivalent transfer value (CETV) | No charge                               | £600                      |
| Additional CETV request               | £250                                    | £600                      |
| Additional information requested      | Up to £250                              | Up to £600                |
| Receipt of Pension Sharing Order      | £1,350                                  | £1,600                    |

- 1.1 If the Court Order does not specify who will pay these charges we will send you an invoice. We won't be able to put the Pension Sharing Order in place until the invoice is paid.
- 1.2 We do not keep any benefits for the former spouse or partner within the Scheme.
- 1.3 These charges assume that the former spouse or partner gives us all the details of the receiving pension arrangement when requested.
- 1.4 We may charge interest in the circumstances prescribed in Regulation 6 of the Pensions and Divorce, Regulation 2000.

## Valuation

The valuation of benefits built up in the Scheme has been calculated in accordance with legal requirements. All Tesco pension benefits (built up in your own right) have been included in the valuation of accrued benefits.

### 2. The pension scheme

- 3.1 The Scheme has not started winding-up
- 3.2 The cash equivalent of your pension rights has not been reduced in accordance with the provisions of Regulation 8 (4) (b) or (12) of the Occupational Pension Schemes (Transfer Values) Regulations 1996.
- 3.3 So far as we are aware, your rights under the Scheme are not subject to:
  - An order of provision specified in section 28 (1) of the Welfare Reform and Pensions Act;
  - An order under Section 23 of the Matrimonial Causes Act 1973;
  - An order under Section 12A (2) or (3) of the Family Law (Scotland) Act 1985;
  - An order under Article 25 of the Matrimonial Causes (Northern Ireland) Order 1978;
  - A forfeiture order;
  - A bankruptcy order
  - An award of confiscation on a member's estate or the making of the appointment on this estate of a judicial factor under Section 41 of the Solicitors (Scotland) Act 1980

### 3.4 You are not a Trustee of the Scheme

### 3.5 We may request information about your state of health

- 3.6 We will allow your former spouse or partner to nominate a person to receive the pension credit benefit, including any lump sum which may be payable, if they should die before the pension credit has been transferred to another arrangement.

### 4. Your former spouse's or partner's pension arrangement

Your former spouse must nominate another registered arrangement (the "Receiving Arrangement") to which the pension credit should be transferred.  
We are unable to offer any financial advice. Your spouse or partner is strongly recommended to seek some independent financial advice

### 5. Information

#### 5.1 Please give us for you and your former spouse or partner:

- Any names that you have ever used
- Date of birth
- National Insurance number
- Address
- The name and address of the arrangement to which the pension should be transferred
- Your former spouse's or partner's membership number of the new arrangement
- The name and contact details of a contact in the new arrangement.

#### 5.2 Please send the Pension Sharing Order to: Pensions Department, PO Box 567, Welwyn Garden City AL7 9NN

We need this information before we can action the Pension Sharing Order