



Report to Pension Fund Consultative Group

Title: Pension charges on divorce

Date: 15th October 2008

Author: Pensions Manager

Contact Officer: Julie Vrondis 01296 382328

Summary

The charges applied by the pension team for processing work in relation to a member who is divorcing were set in 2000. These need to be reviewed.

Recommendation

Members are asked to:

Consider the current charging structure, which was set in 2000 and agree the suggested revised charges. Charges will be reviewed annually.

A. Supporting information:

The Welfare Reform & Pensions Act 1999 gave powers to the Court to split pension rights between husband and wife on divorce for divorce or annulment filed on or after 1 December 2000.

The basic concept is to separate the ex-spouse's benefit entitlement (as specified in the Court Order) from the pension scheme member's, so that there is a 'clean break'. A Pension Sharing Order is issued that creates a Pension Credit Member (the ex-spouse) and a Pension Debit Member (the member). The Pension Credit is based on the member's Cash Equivalent Transfer Value (CETV). The Credit will be a percentage of the CETV, not a fixed sum of money.

Schemes are permitted to charge for dealing with the administration of pension sharing. Basically the cost involved in administering pension sharing should not be borne by the scheme, other members or the taxpayer. The scheme must supply a schedule of charges to the couple involved on their first enquiry. The National Association of Pension Funds (NAPF) produces a table of recommended charges to be used as a guide to the industry. This is attached.

Appendix I to this report shows the NAPF suggested charging schedule. Appendix II shows our proposal and Appendix III is our current charging structure.

B. Other options available, and their pros and cons

N/A

C. Resource implications

The recommendation would ensure Pension services are charged at an appropriate rate.

D. Legal implications

Schemes are permitted to charge for dealing with the administration of pension sharing on divorce, if charges are not made the cost will be borne by the scheme.

E. Other implications/issues

There are none.

F. Feedback from consultation and Local Member views

Not Applicable

G. Communication issues

The schedule of charges will be sent to the member when they make their initial request for a CETV.

H. Progress Monitoring

Charges should be reviewed annually each November.

Background Papers

1. Current suggested charges from the National Association of Pension Funds (NAPF) (attached)
 2. The suggested new charges (attached)
 3. The charging structure currently used (attached)
-