# Pension Sharing on Divorce

CONGRUENT

**A Pension Sharing Order (PSO) allows one party to a divorce to receive a portion of the value of the other's pension as part of their financial settlement. POS's are needed because pension providers cannot divide pension values without a court order. It allows a clear, clean, financial break, with each party having control of their own pension pot.**

PSO features:

- the PSO has a percentage split that may be 50%, or some other percentage. depending on factors such as other assets, age/ genders, schemes concerned.
- more than one PSO may be necessary for multiple schemes (likely to be at increased administrative cost and complexity).
- requires actuarial advice if defined benefit (DB) pension schemes are involved to fairly allocate the shares, especially where pension assets are sizeable.
- typically, actuaries act impartially as joint experts to both parties.

Typical instructions ask us to consider the following points:

- the PSO that would equalise pension income in retirement.
- the PSO that would equalise capital value in retirement.
- the offsetting valuation options available
- the lumps/ sums that would be available to each party
- any state pension entitlement
- confirmation of which pension to share.
- the retirement ages which we consider appropriate for sharing benefits.

**Contact us at team@mycongruent.com.**

**When dividing DB pensions in divorce, the central issue is how to value the DB benefits and how to implement the pension share, and this is where we can help:**

***Private Sector DB Schemes***

Comparison of schemes and pension costs is difficult since values vary widely depending on the scheme's choice of assumption.

We use the CETV and pension statement to estimate a fair share for the former spouse, either to provide a transfer to another arrangement or as an allocation in the same DB scheme (a shadow credit).

Estimates of pension at retirement are uncertain as future economic conditions are unknowable.

***Public Sector DB Schemes***

Most schemes do not allow ex-spouses to transfer their PSO share to their own arrangement (except the Local Government Pension Scheme).

PSO results in a debit to the member's pension and a credit to the ex-spouse, implemented as a shadow pension credit in the original scheme.

Standard terms published by the scheme allow us to estimate the pension that both parties will receive more accurately.

***Mixed Pension Types***

Where both defined contribution (DC, also known as money purchase) and DB pensions exist, they should be valued consistently. Actuarial modelling allows us to ensure economic equivalence across different pension types, to avoid unfair outcomes.