

# Pension Adjustment Orders

A life office perspective



# A life office perspective

- Quality has improved – but not perfect
- Anecdotally – NIL orders
- In practice, not necessarily
- Not quick
- Time consuming
- Standard procedures in place
- Reserve the right to charge



# Procedures – Step 1

- Receive notification
- Issue 1<sup>st</sup> Letter to Solicitor



17 April 2008

Re: [redacted] Group Retirement Plan - Policy No. [redacted]

Your Ref: [redacted]

Dear Sir/Madam,

Thank you for your recent letter concerning the above.

Please note that New Ireland are not the Trustees of the above pension arrangement and any Court Order should be served on the Trustees, if this has not already been done. We do not intend to be represented at the hearing as the granting of any pensions adjustment order is a matter for the parties themselves.

A Pension Adjustment Order should follow the form prescribed in the relevant legislation (which do not specifically permit a 'nil adjustment order'). It should specify each policy in respect of which it will apply. In order to help ensure the Pensions Adjustment Order is given effect to we will require a certified copy of same.

The relevant legislation is:

- o Part 2, Section 12 (particularly (2)(b)(i)&(ii)) of the Family Law Act 1995 - in a separation case;
- o Part 3, Section 17 (particularly (2)(b)(i)&(ii)) of the Family Law (Divorce) Act 1996 - in a divorce case.

We do not comment on the correctness or otherwise of draft adjustment orders as this is a matter for the legal advisers to ensure.

We have arranged for a recent statement to be issued to the Member, which will provide you with all the information you require. We do not issue them to you directly for data protection reasons.

We would be grateful if you would advise us of the postal addresses for both parties, so we can be sure we contact them at the correct addresses.

Please note that we reserve the right to charge, on a commercial basis, for any work required in relation to an actual or proposed Pensions Adjustment Order.

Yours faithfully,

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Conway Smyth

Legal Department

E-mail: [Conway.smyth@newireland.ie](mailto:Conway.smyth@newireland.ie)

Direct Line: 07 6172526

# Procedures – Step 2

- Receive amended version / correspondence
- Issue 2<sup>nd</sup> letter



17 April 2008

Re:

PRSA

Your Ref:

Dear Sir / Madam,

Further to your letter of the , we look forward to receiving the Pensions Adjustment Order when it has been made by the Court.

Please note, we are not in a position to prepare or approve draft pension adjustment orders.

However, we should be able to implement the proposed order.

Yours sincerely

Conway Smyth  
Head of Pensions Documentation  
Legal Dept  
Direct Line: 6172526



# Procedures – Step 3

- Advise administration colleagues
- Advise parties of
  - terms of the order
  - Options, if any



Ms [REDACTED]

15 April 2008

Re: [REDACTED] Personal Pension Plan - [REDACTED]

Our Ref: [REDACTED]

Dear Ms [REDACTED],

We have been advised that a Pensions Adjustment Order has been granted in your favour, in respect of the above pension plan.

However, we note that it was a 'Nil Adjustment Order'. This means the order granted you only a tiny benefit (0.001% of the benefit earned over a day, for example). The intention of the order is that there is no benefit payable to you. We will therefore be taking no action in respect of the Order and will be closing our file.

Further information on Pensions Adjustment Orders is available from the Pensions Board.

Yours sincerely



We have been advised that a Retirement Benefit Order has been granted in your favour, in respect of the above pension plan.

Please find attached a Benefit Statement which provides the current fund details and details of the retirement benefits (from now on called “your benefits”) granted to you by the Pension Adjustment Order

The following options are available to you regarding your benefits:

### **Establish an Independent Benefit**

An Independent Benefit in your own name may be established by transferring your benefits to one of the following suitable pension arrangements:

- A Personal Retirement Bond
- Your Employer’s Occupational Pension Scheme (if applicable), subject to the consent of the trustees
- A Personal Retirement Savings Account (PRSA) (subject to restrictions)

or

### **Retain your benefits in the plan**

Your benefits may be retained within the present plan and taken when XXX retires. Please note the benefits paid to you will depend on the retirement options chosen by .

We recommend that you obtain appropriate advice in relation to your pension entitlements and options. If you decide to establish an Independent Benefit please contact your Pensions Adviser for further information on the pension arrangements available.

***(Please note that certain terms and conditions may apply to any transfer)***



### Retirement Benefits

The order granted you \_\_\_\_\_ % of the benefits accrued (units purchased by contributions paid) from \_\_\_\_\_ to \_\_\_\_\_.

These units are currently invested as per the table below.

*Please note that the funds in which the contributions are invested may change in the future.*

#### ⊕ Plan details

Employer: _____	
Member: _____	
Normal Retirement Date _____	
Plan type: Group Retirement Plan	
Plan number: _____	

#### Current Fund Value of your Benefits

Name of Fund	Capital Units			Accumulation Units		
	Number	Price €	Nominal Value €	Number	Price €	Value €
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
<b>Total Value of your benefits</b>			_____			_____

#### NOTES

- The value of the plan equals the value of the capital units plus the value of the accumulation units. Please note that the full nominal value of the capital units is not payable on early retirement/transfer before \_\_\_\_\_. The amount available for transfer is a capital unit value of € \_\_\_\_\_ plus an accumulation value of € \_\_\_\_\_. The above fund value does not represent the amount available for transfer now should you decide to transfer this benefit out.

If \_\_\_\_\_ is not entitled to the employer's contributions on leaving employment then the amount quoted above will be subject to change. As unit prices may fall as well as rise this value is not guaranteed in any way, and the value available for transfer may be higher or lower than this amount.
- Unit values are based on the unit prices and the number of units at \_\_\_\_\_. Unit prices may fall as well as rise and are not guaranteed in any way, and the value at normal retirement age may be higher or lower than the amounts quoted above.
- Please note that there may be Revenue restrictions on when, and where to, a transfer value can be p

Under the Pensions Adjustment Order, in the event of your death before \_\_\_\_\_'s retirement, and assuming you have not established an Independent Benefit, the nominal value of your benefits is payable to your estate.



### **Options Available at Retirement (if you retain your benefits in current plan)**

- On \_\_\_\_\_'s retirement, subject to Revenue Limits, the full-accumulated value of your benefit will be available to provide your retirement benefits, in line with the benefits chosen by \_\_\_\_\_.
- Subject to Revenue Limits and Conditions you may be entitled to a proportion of your final fund as a tax-free lump sum with the balance being used to provide a pension. In certain circumstances you may qualify to avail of additional options at retirement. Further information regarding these options can be obtained at that time.
- Please note that if your Retirement Benefits remain invested in the same plan as \_\_\_\_\_:
  - ✓ the options available to you at Retirement will be based on the options chosen by \_\_\_\_\_;
  - ✓ You will be unable to drawdown these benefits until such time as \_\_\_\_\_ retires.

Please note that it is very important to keep us informed of any change of address or change in your circumstances. You should include details of your benefits in your Will and make arrangements with your personal representatives to notify us in the event of your death.

We are not liable for any loss suffered by you or your estate if you do not maintain contact with us or make the necessary arrangements in relation to the notification of your death.

**We recommend that you obtain appropriate advice in relation to your pension entitlements and options.**



# Nil Adjustment Orders

- No need to give 100% to the member
- 0.0001% over 12/03/08 to 13/03/08
- Not 0.5%, or 1.0%, or 5%
- An order to make a PAO is not a PAO
  - ‘hereby decree a nil adjustment Pension Adjustment Order be granted’
- Amend legislation
  - Parties agree to nil order, notification only trustees required, no formal PAO required



# Issues

- We like transfers out
  - Solves the problem for us
- Is a transfer best advice
  - Capital vs accumulation units
  - Current vs surrender values
  - Bear markets – crystallising a loss
  - DB – 7.25% investment return assumed



# Investment Issues

- Keeping track of benefit granted



# Investment Issues - Example

- Joined 1990
- Married 1995
- Divorced 2000
- Continuing contributions
- Due to retire in 2010
- Awarded 50% over 1995 - 2000



# Investment Issues – Example 1

- 1990 invest regular contributions in 3 funds – capital units apply
- 1995 invest in property syndicate – lump sum from existing fund, plus future contributions
- 2001 property matures, invest in 3 other funds,
- 2005 switches 50% of total fund to gilts
- 2008 switches balance to cash
- 2010 retires – all capital units now accumulation units



# Investment Issues – Example 2

- 1990 invest regular contributions in Self-directed
  - regular changes in investments
- 1995 invest in property syndicate – lump sum from existing fund, plus future contributions
- 2001 property matures, day-trading investments,
- 2005 switches 50% of total fund to Davys,
- 2008 switches 25% of 50% to Goodbody's
- 2009 switches €100,000 to Merrion
- 2010 defers retirement, invests in Buy-out Bond



# Investment Issues

- Life Office / Pensioner Trustee / Broker
  - What if they changed
  - Ability
  - records
- Forensic Accountant / AIIPM / Actuary / Lawyer
  - Cost
  - Possibility (probability) of dispute



# Investment Issues

- Life office
  - Unit records
  - Comparatively straight forward, but still not easy
  - Transfers out / received in, no unit records
  - Bonuses granted after order, before transfer
  - Terminal bonuses
  - Market value adjustments

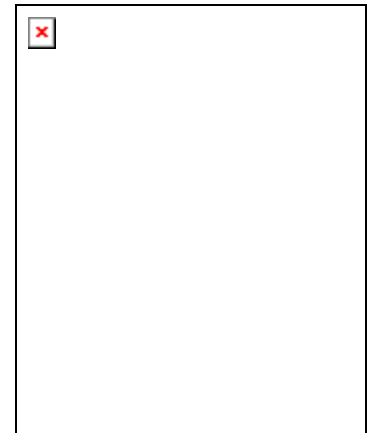


Is your head wrecked yet?

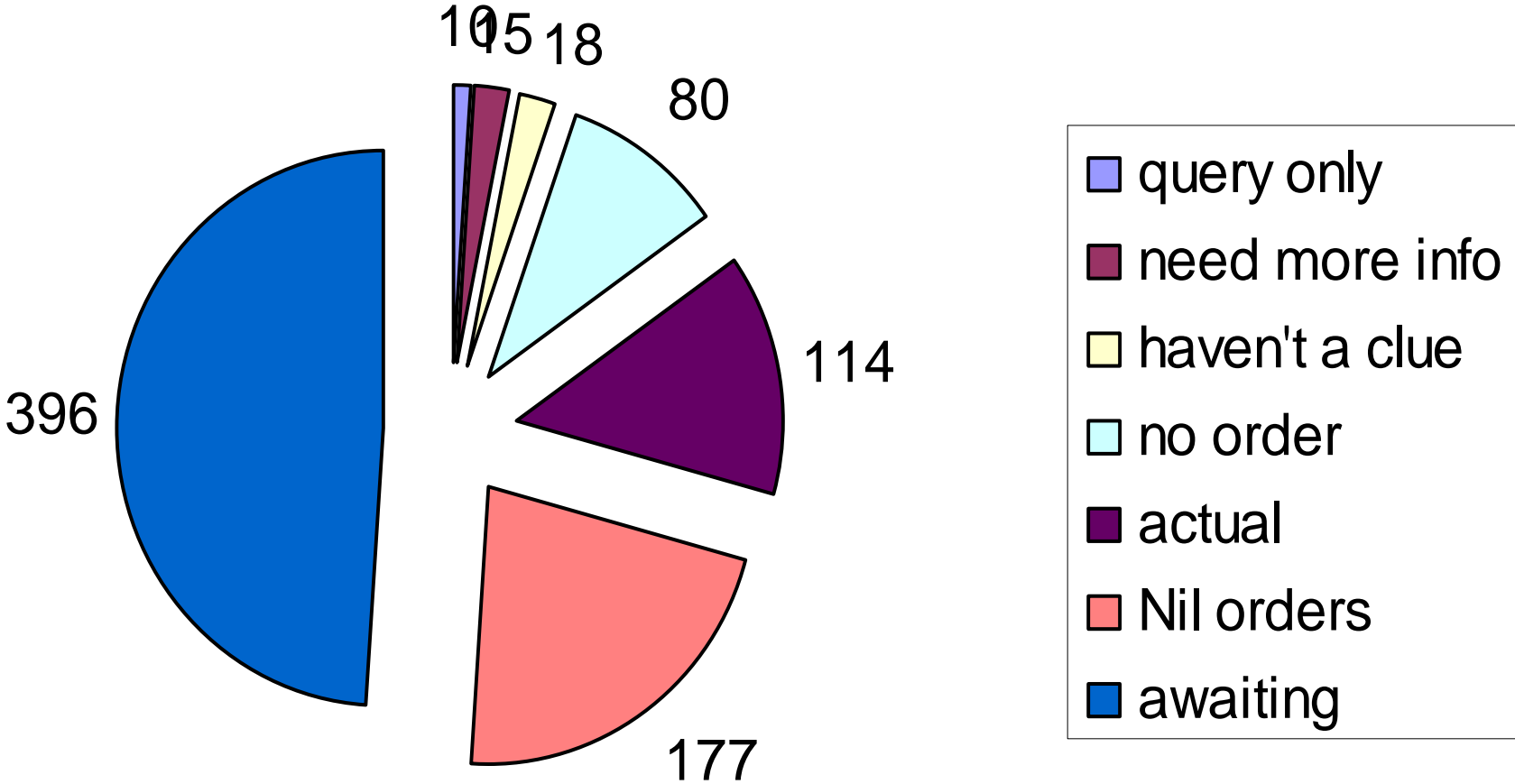


# Is your head wrecked yet?

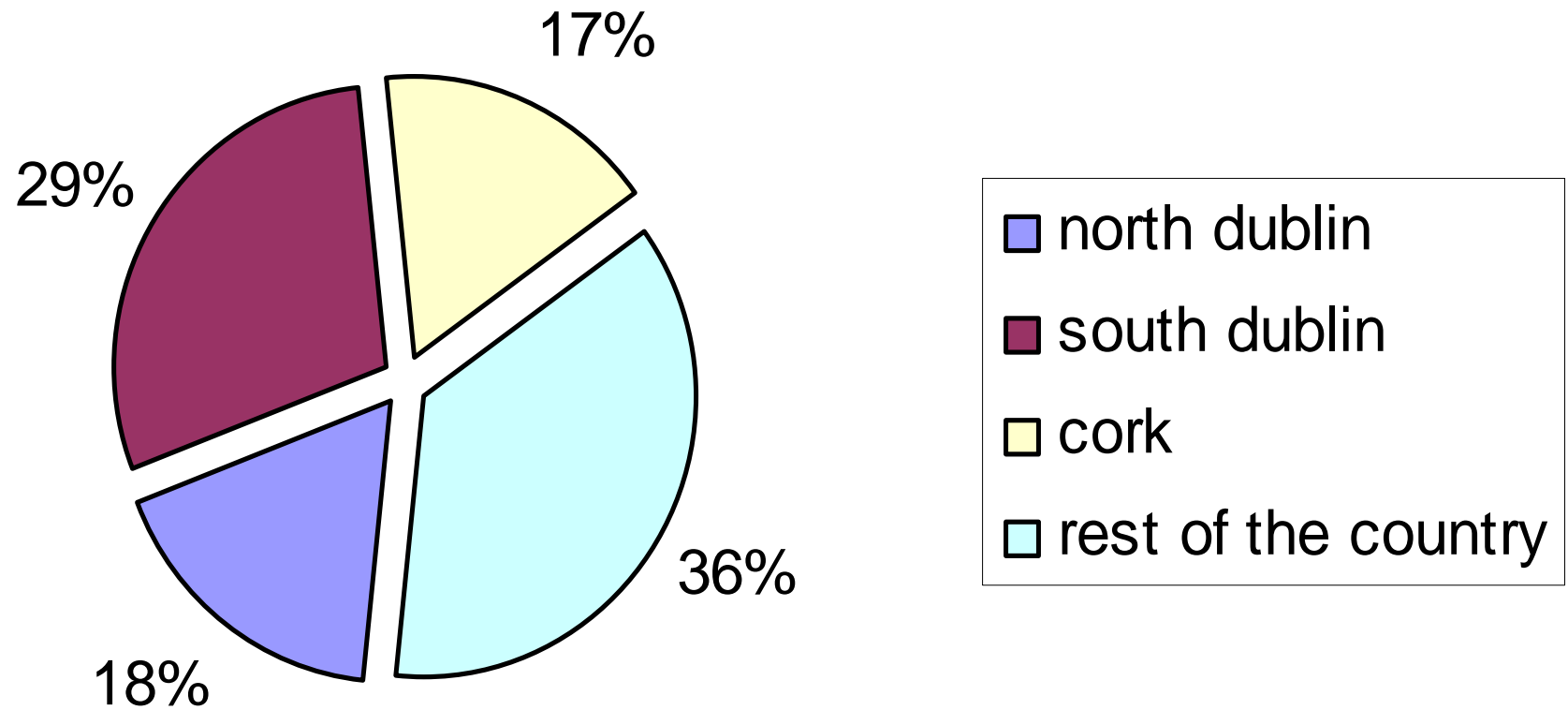
And now for something completely  
different ...



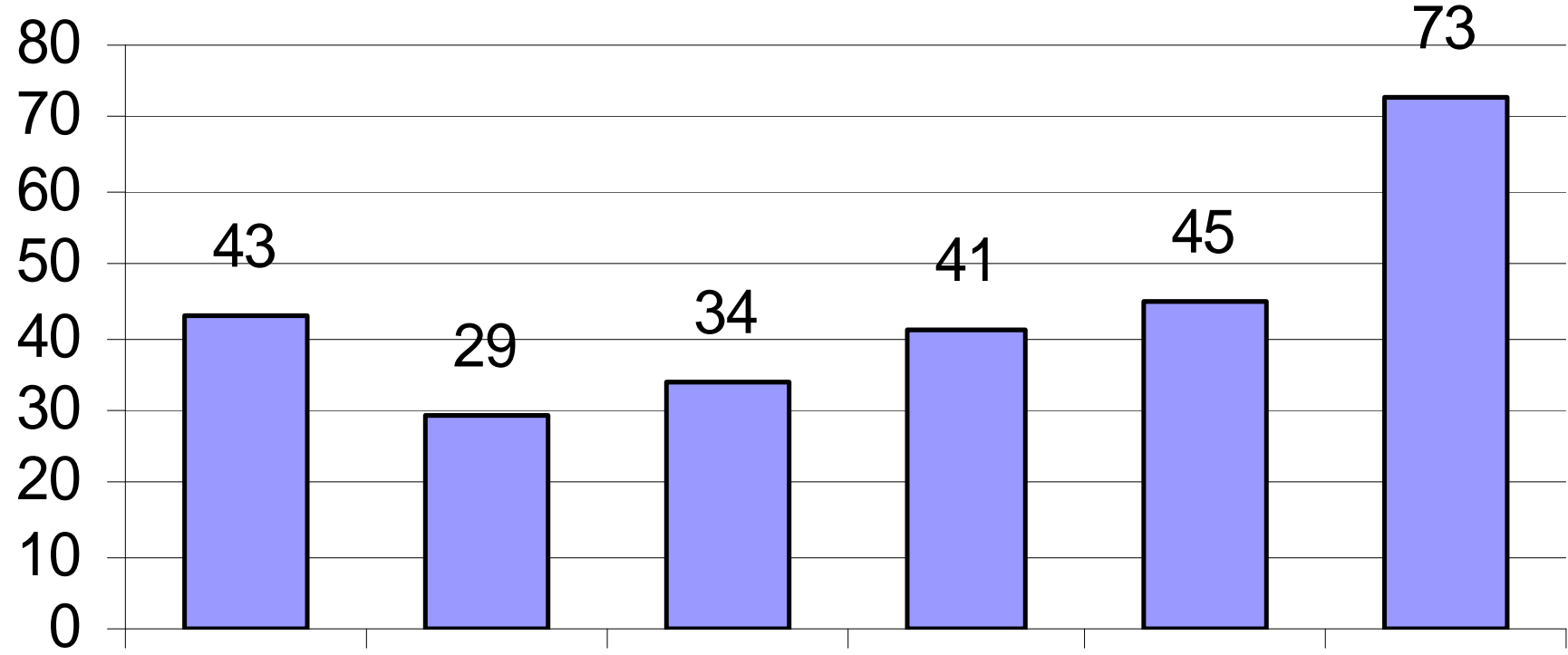
# 810 Notifications received



# SOURCE OF ORDERS



# hot spots



north coast

limerick

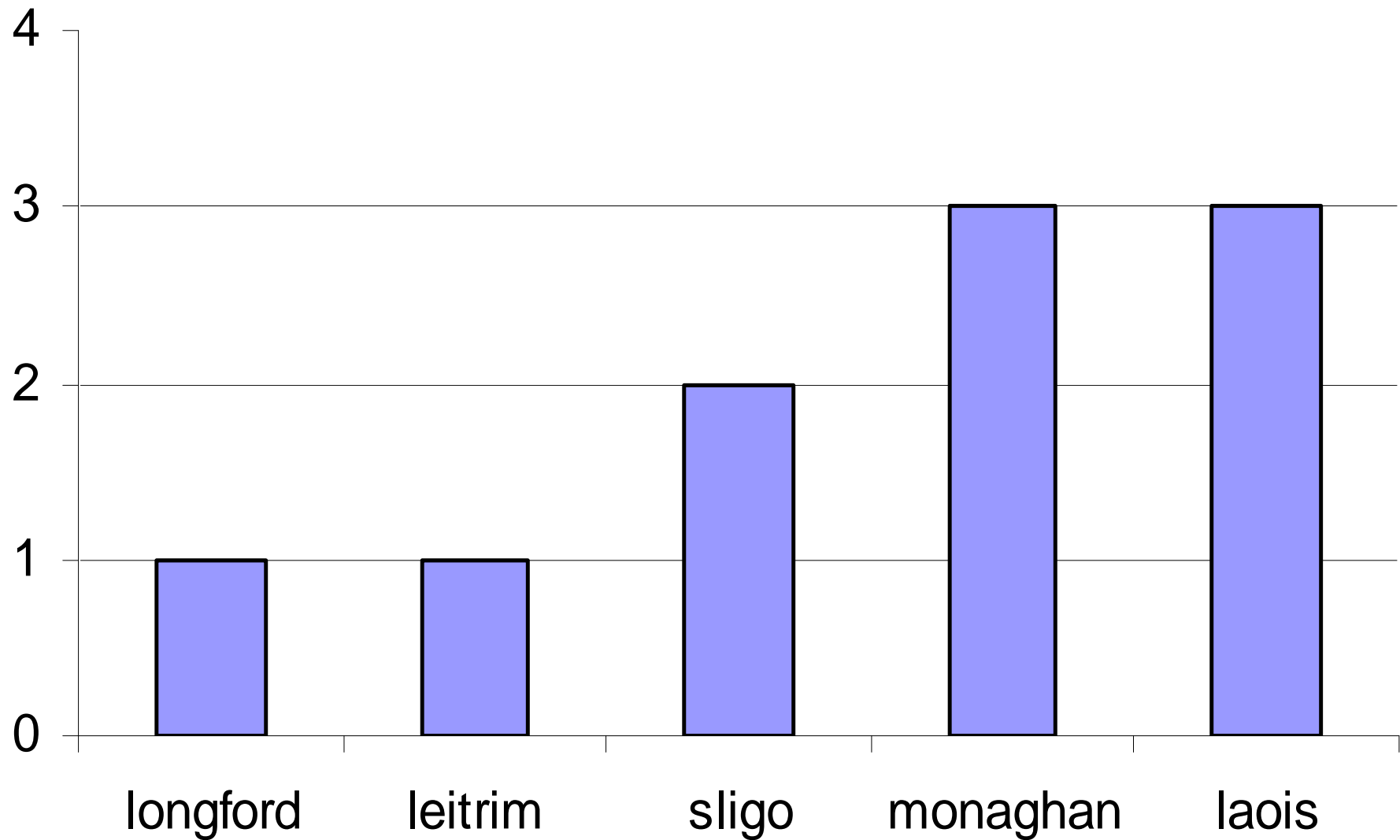
west coast

tipperary

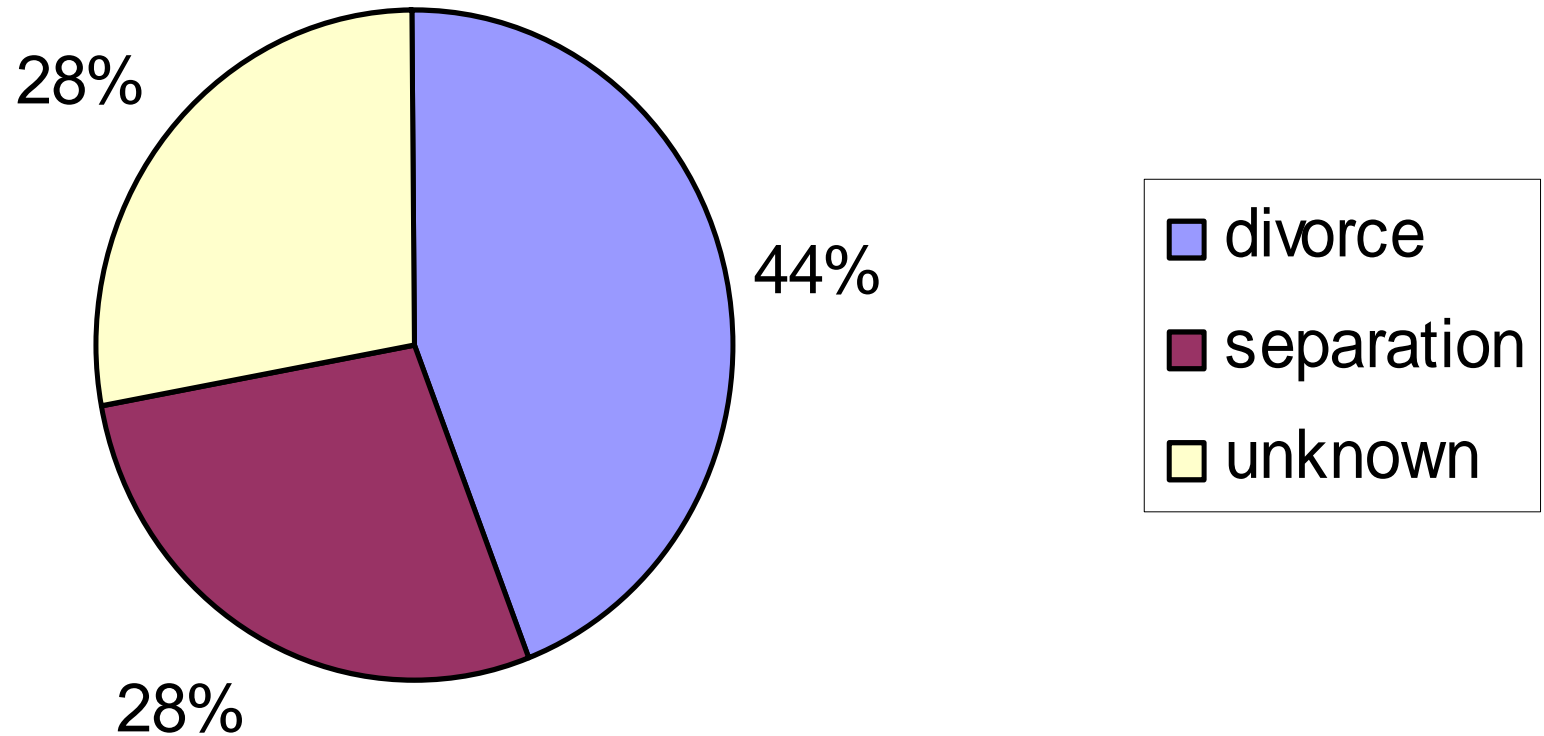
midlands

east coast

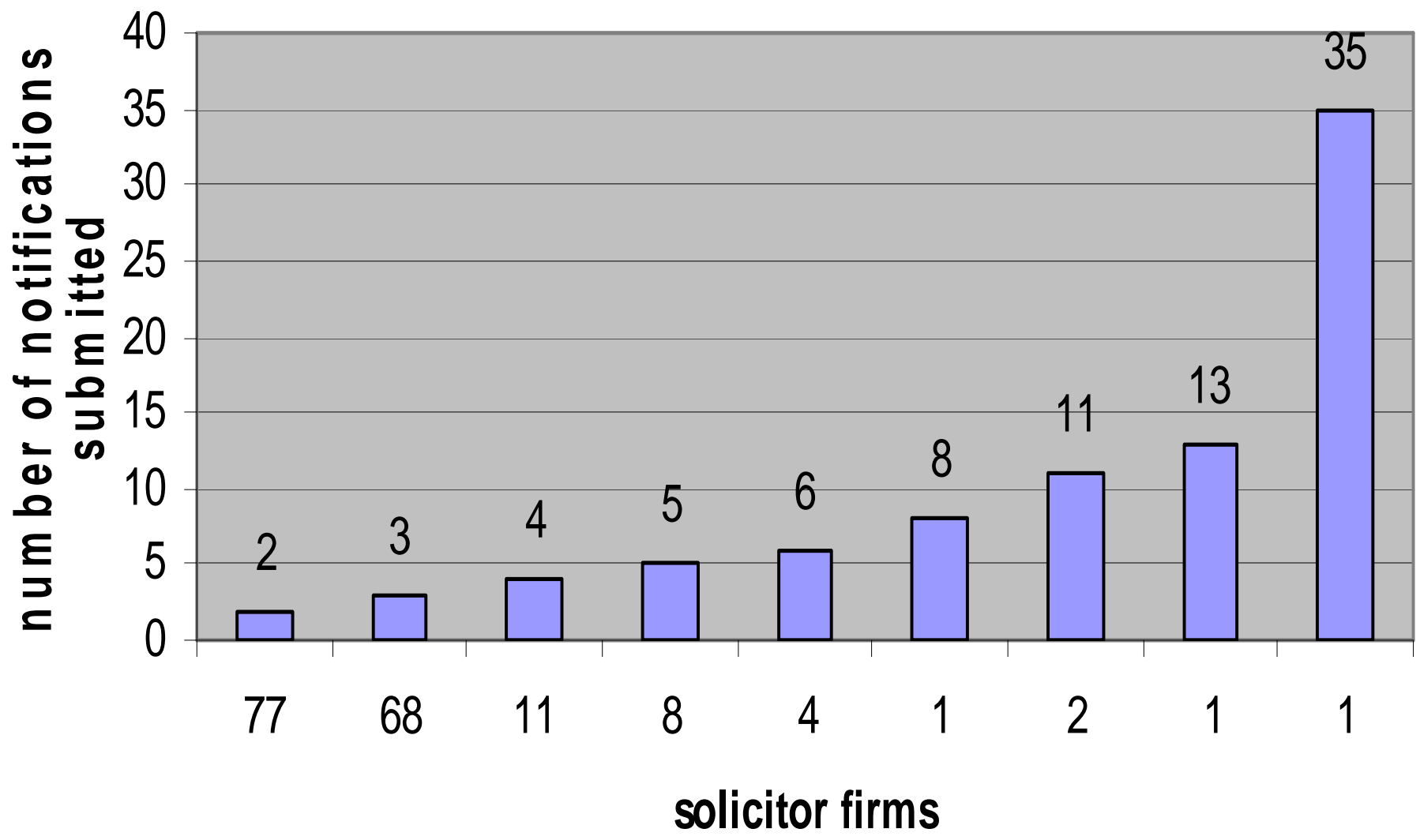
# Low Spots



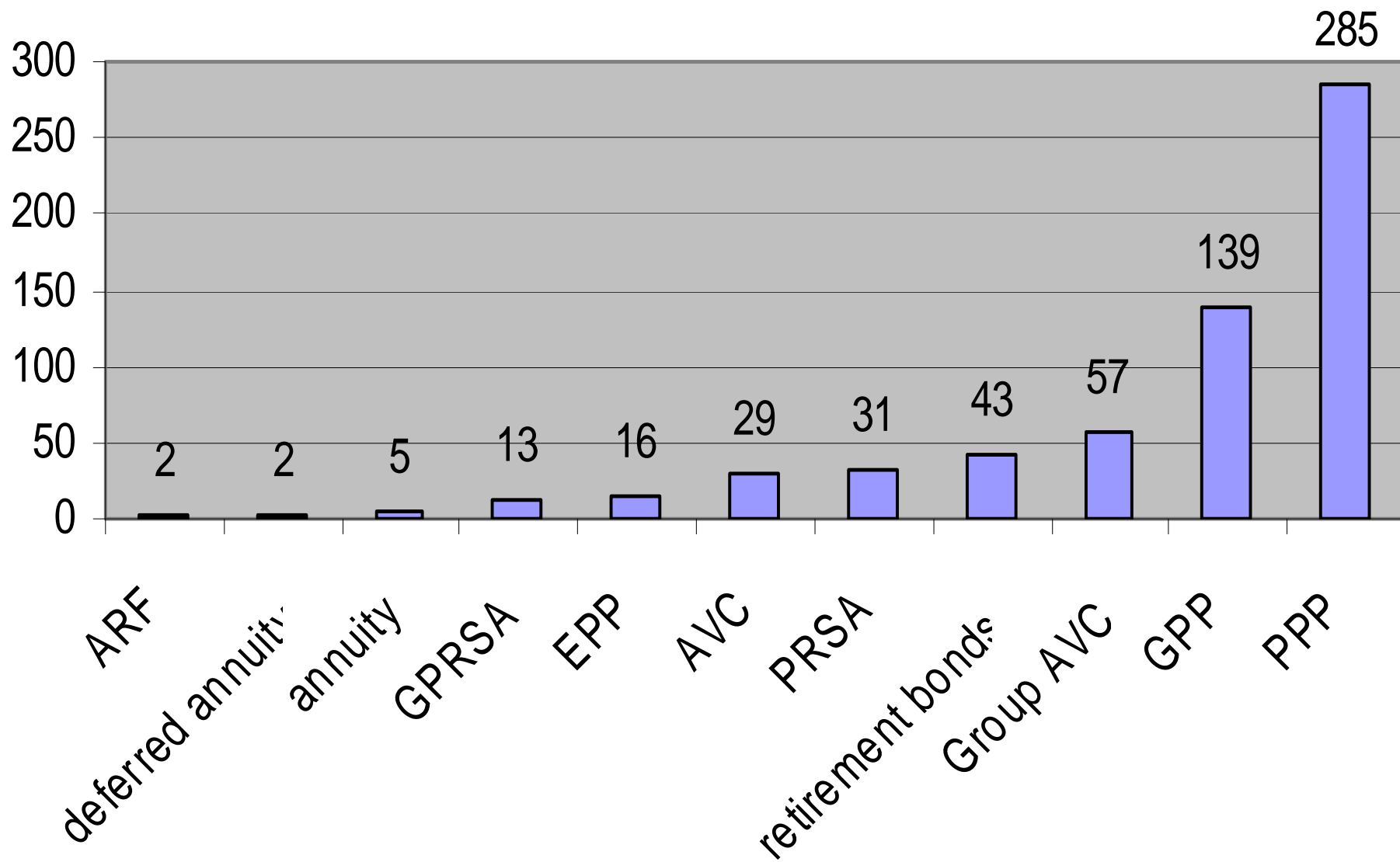
# SEPARATION VS DIVORCE



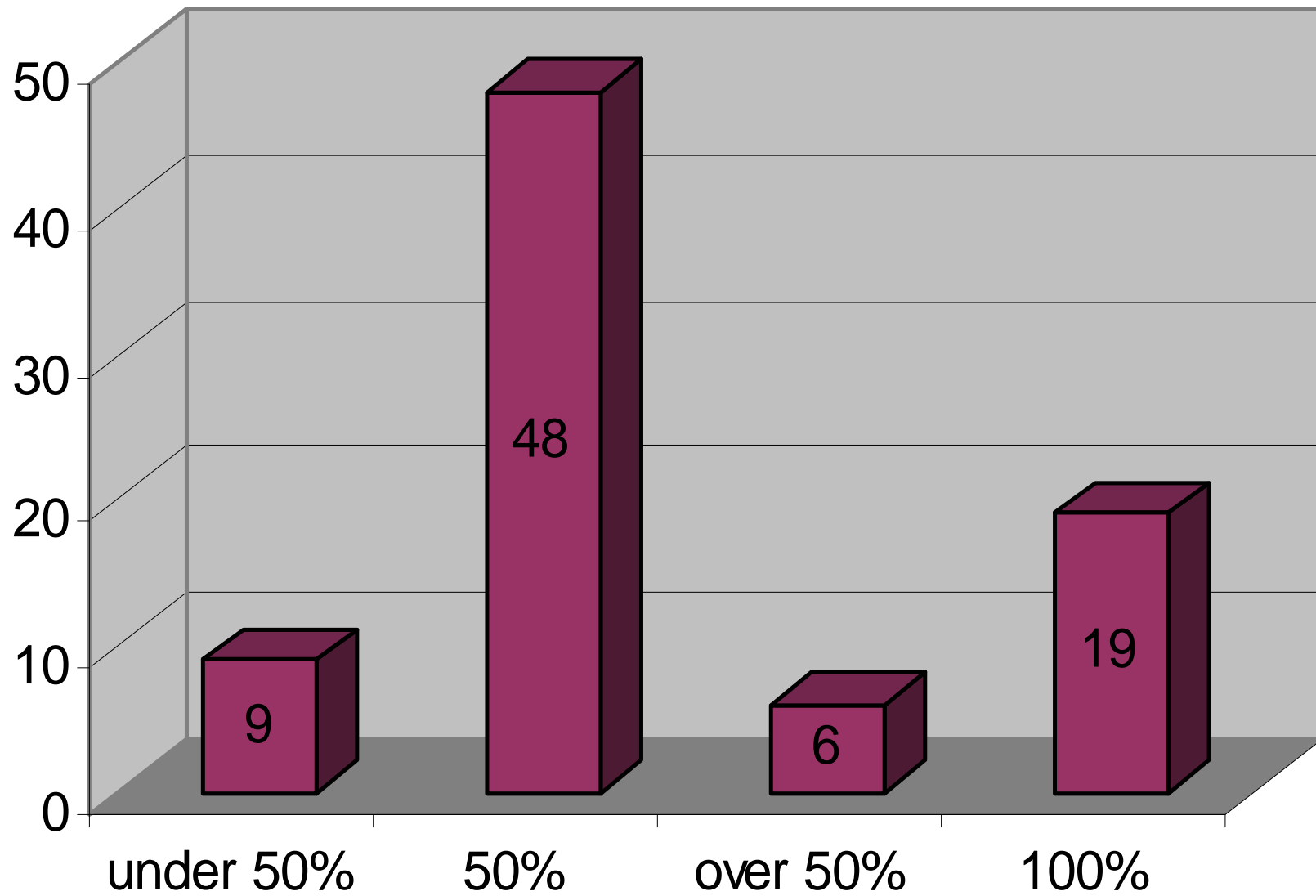
# NOTIFICATIONS SUBMITTED



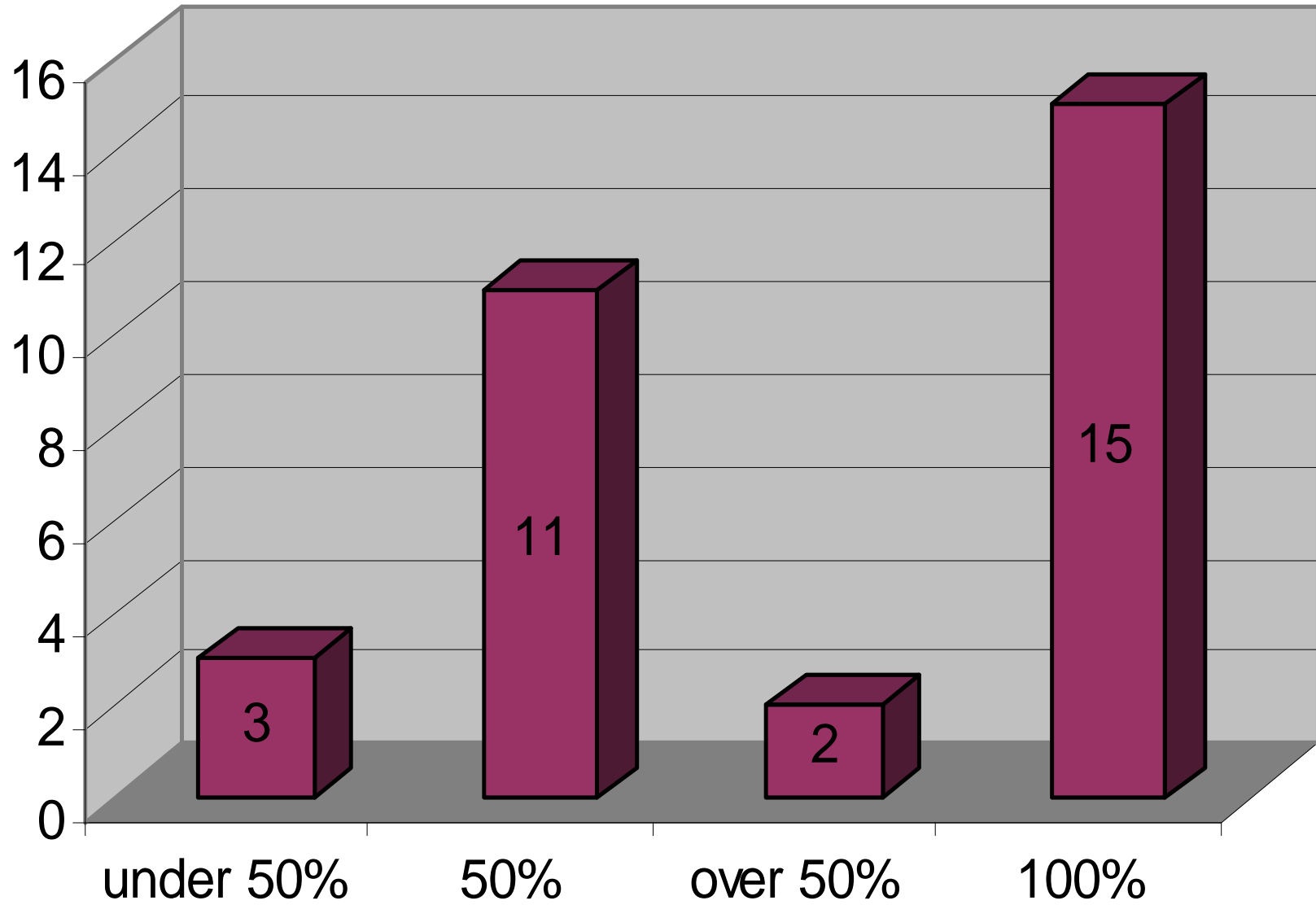
## Types of Plans affected



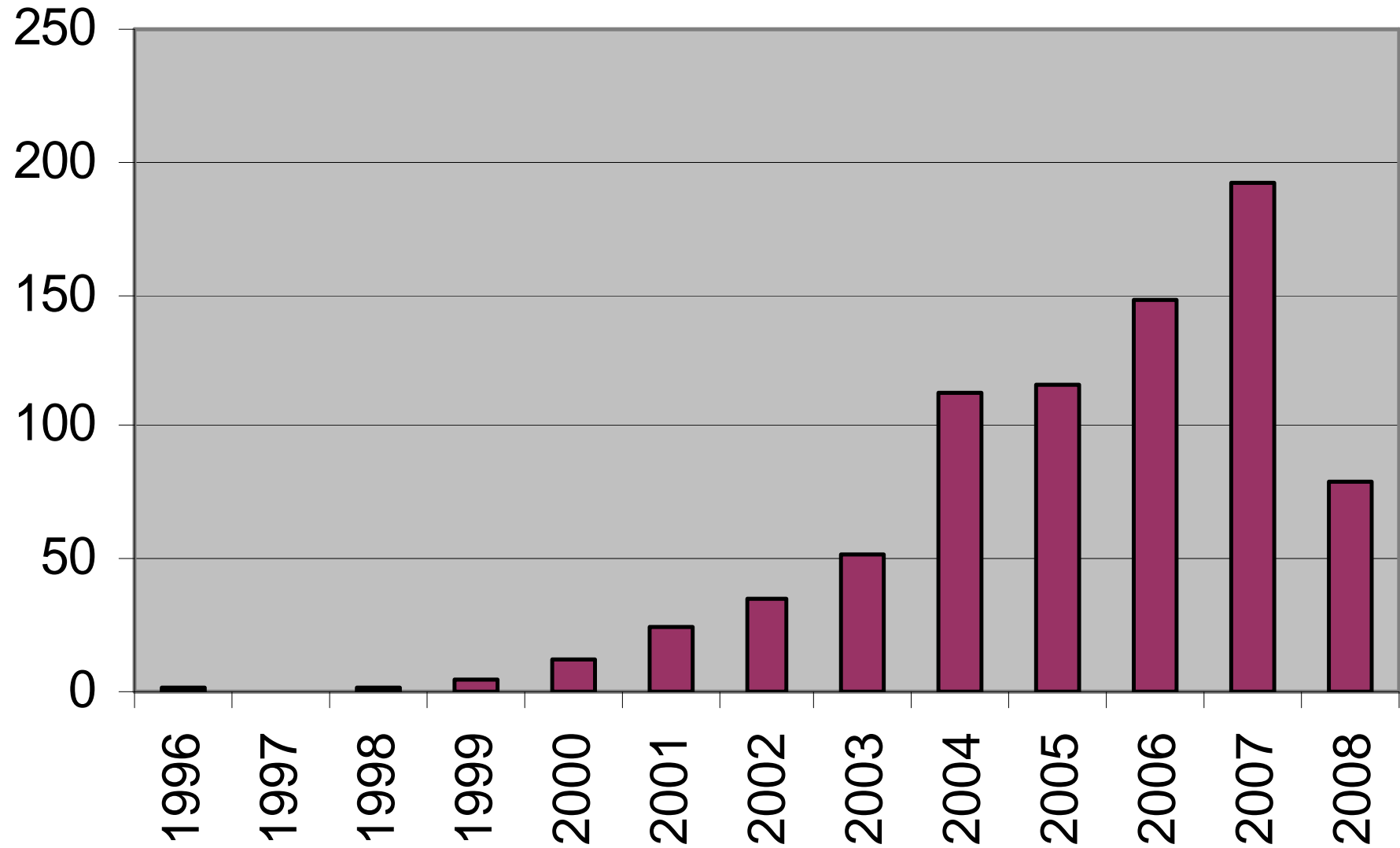
# PAO Awards made



# CBO Awards made

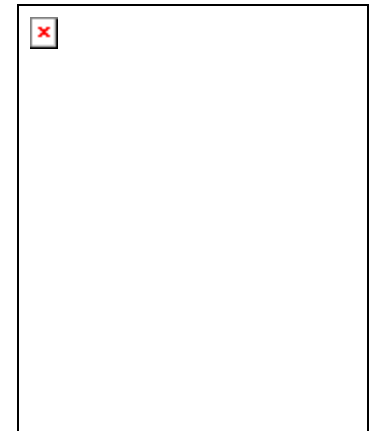


# notifications

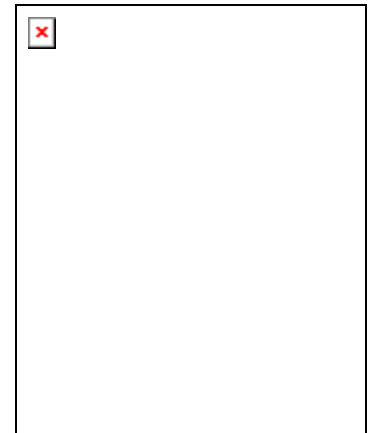


# We reserve the right to charge

- We will charge?
  - Volumes
  - Complexity
- Cost of
  - Dealing with notifications
  - Dealing with options
  - Calculating benefits at retirement



The lesson from today ...



The lesson from today ...

BEHAVE YOURSELF

(IT'S A LOT CHEAPER AND EASIER)

