

Pension Notes

Windsor Actuarial Consultants Ltd

July 2006

Issue 2

Miller and Macfarlane—Pension Issues

These two cases, on the face of it, could not be more different — one relating to a 3 year childless marriage, and the other to a sixteen year marriage with 3 children. These judgments, handed down on 24th May, may not appear to affect pension decisions to any great degree.

However, on a closer look, the Miller judgment raised the issue of the accumulation of assets during the marriage period. This is an area which often raises questions, especially if there has been significant capital appreciation during the marriage period. How should this be shared?

For a short marriage, the overall savings period may be considerable longer, and the question arises as to what is 'fair'

in the division of assets.

It is interesting to compare two scenarios, one where the investments experience level growth over the period, and one where there is, say, a disastrous final year, as in the first half of 2002, after September 11th. If the fund is split into two parts, according to the timing of the payments, the investment performance during the (marriage) period makes no difference to the percentage split of the final fund. This could be useful in setting out the terms of a prenuptial agreement, where the future investment performance of investment funds (whether designated pension funds or not), is an unknown. One less thing to worry about!

Of course, the courts reserve

the right to override the terms of a prenuptial — quite reasonable, as a mathematically correct solution may need adjustment to achieve fairness.

Regarding Macfarlane, where a temporary annuity was extended to a life annuity, the provision of a lifetime income may be facilitated by a pension share, where pension contributions have had the advantage of full tax relief, and payments are subject only to the recipients tax rate, often basic rate, whereas pension attachment, as with maintenance, is subject to the payer's (usually higher) tax rate. The ability to free up lifetime allowance can also provide further tax advantages to the payer.

Inside this issue:

| | |
|---|---|
| Seminar Timetable | 2 |
| Share Schemes | 2 |
| Scheme efficiency and charges | 3 |
| NAPF recommended charges | 3 |
| <i>SURVEY— your views, Please!</i> | 3 |
| Windsor Actuarial - New offices | 4 |

The Baby and the Bathwater

Pension benefits accrued in the past may appear to have negligible value, but the preservation rules, requiring RPI increases each year to retirement, may mean that these have a significant value, and are worthy of attention, especially if the service period is,

say, 4 years or more, or if there is more than one deferred pension. Don't let these get missed, as there may be no chance to revisit and reclaim past rights.

Five minutes of focused discussion with your client

should recharge the memory cells, and names of past employers and rough dates may be recalled.

It is then a simple matter to check the Pension Service's website (link at the bottom of the page). You can also phone



Seminars - Pensions on Divorce

Croydon
 Tues 18th July, 3.30-5 & 5- 6.30 pm

Reading
 Wed 19th July, 3.30-5 & 5- 6.30 pm

Oxford
 Wed 16th August, 3.30-5 & 5- 6.30 pm

Bath
 Tues 5th September, 11.00 -12.30 am

Bristol
 Tues 5th September, 3.30-5 & 5- 6.30 pm

Carmarthen
 Wed 13th September, 11.00 -12.30 am

Bridgend, Mid Glam
 Wed 13th September, 3.30-5 & 5- 6.30pm

Newport, Monmouth
 Thur 14th September, 3.30-5 & 5-6.30pm

Cardiff
 Thur 14th September, 3.30-5 & 5-6.30pm



TOPICS COVERED:

- Setting the pensions scene
- Pensions and divorce
- New Court Forms
- Pension Protection Fund
- Transfer Value Calculations
- Splitting a Money Purchase Fund
- Interesting Schemes
- When to seek advice
- When to go it alone
- Simplification
- Miller and Macfarlane—related pension issues

Continued from Page 1—The Baby and the Bathwater

them on 0845 6002 537.

If you don't have all the information, don't worry—the Service should be able to deduce the full details for the major schemes from partial information. At that point, it's just a case of filling in the names and addresses on page 1 of form P, and sending it off to the Scheme Administrator.

Although the Scheme has six weeks to deliver the information (assuming a CETV is required), you should consider starting your chase-up process earlier, as many scheme administrators

push this task down their priority list. An initial chase after four weeks, say, followed by weekly reminders. If all else fails, contact the company's current HR director, or the Managing Director—their input can work wonders!

We can always help with estimating the amount and value of benefits, based on the information you already have, but it's always better to get the precise amounts.



Where's my pension?

Remember—it's your baby!

“you should consider starting your chase-up process early”

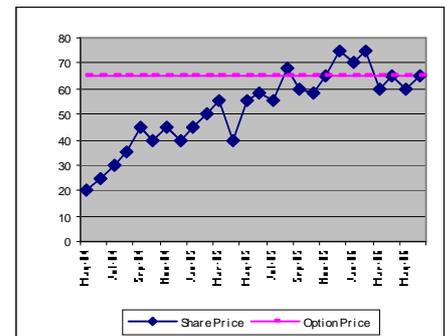
Share Option Schemes and Share Saving Schemes

With the ongoing demise of final salary schemes, companies are looking for attractive, low cost ways to reward their staff. Share related schemes have proven very popular in this respect.

In brief, the scheme allows the purchase of shares at a discounted price, or grants them to the member free of charge. The precise value of the benefit is not known until the option matures, possibly some

years into the future. Form E only requires a statement of a notional current exercise value, which at times can be unreasonably low.

We can provide a valuation for share options, which reflects the expected rise in value to maturity. For further details, contact Windsor Actuarial on 08707 875872.



Send Us Your Views — Efficiency and Charges !

We would like to have your views on the pension schemes you deal with when working on ancillary matters.

We understand that some schemes turn around forms quickly, and are efficient, courteous, and good value for what they charge. Others are the opposite.....

Remember, pensions schemes are supposed to have been set up wholly for the benefits of their members, and as separation and divorce are now far more common, a properly administered scheme should be able to provide a full pack of information within a

fortnight at the latest.

A table of the NAPF's recommended charges is shown below. How much have your clients had to pay for information?

There are some other questions to be asked. Why does it cost between £500 and £800 to value a pension in payment? An actuarial student in an exam would be given no more than 10 minutes to do such a calculation ... convert that to an hourly rate?! And why do there need to be minimum levels of charge? How can such a 'cartel' approach be in the interest of

members?

Some of the charges seem more reasonable—for example, to set up a new member record, involving administration, processing and communication, for the whole of the spouses lifetime, £2,000 does not seem unreasonable, except in the case of a very large scheme.

We will run the survey on a rolling basis, with two monthly prizes—one drawn at random from all the forms submitted, and one for the most amusing entry!

Please cut out and send to us the completed form below, with a business card (optional).

NAPF—Scale of Recommended Charges—Updated 10th March 2006

Lower (!) and upper limits are shown thus: (£150/£200)

PENSIONS IN PAYMENT

Produce CETV statement (£500/£800)

Additional CETV Quotations (£500/£800)

Provision of other information (£0/£250)

Processing a Pension Sharing Order (PSO) - internal transfer, in a defined benefit or hybrid Scheme (£2,000/£2,550)

Processing a Pension Sharing Order - (PSO) - external Transfer (£1,600—£1,700)

ACTIVE AND DEFERRED MEMBERS

Produce CETV statement (£0/£0)

(statutory)

Additional CETV Quotations

(£150/£200)

Provision of other information

(£0/£250)

Processing a Pension Sharing Order (PSO) - internal transfer, in a defined benefit or hybrid Scheme

(£1,950/£2,350)

Processing a Pension Sharing Order (PSO) - internal transfer, in a defined contribution Scheme

(£1,800/£2,200) *

Processing a Pension Sharing Order (PSO) - external transfer, in a defined benefit or hybrid Scheme

(£1,100/£1,550)

Processing a Pension Sharing Order (PSO) - external transfer, in a defined contribution Scheme

(£1,000/£1,450)

* Plus £500 for annuity advice.

Survey

Please indicate the three best, and three worst, pension schemes you have dealt with, and the reasons for your views.

Your details will remain confidential, not used for mailshots, and not divulged to any third party.

| Three Best Schemes | Three Worst Schemes |
|---|---|
| 1 | 1 |
| 2 | 2 |
| 3 | 3 |
| Reasons (continue on separate sheet if necessary) | Reasons (continue on separate sheet if necessary) |

Windsor Actuarial
Consultants Ltd

Suite 46
Albert Buildings,
49 Queen Victoria
Street,
LONDON EC4N 8SA
Phone: 08707 875872
Fax: 08707 875873
E-mail: mail@windsorac.com
www.windsorac.com

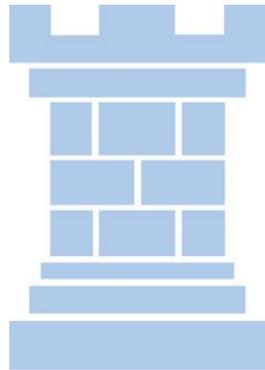


Windsor Actuarial Consultants provide consultancy services for solicitors and other professionals. We have a particular expertise in advising on fair divisions of pensions assets, and clear communication of the issues involved.

We have over 25 years of experience in pension scheme, life assurance and related areas involving complex financial matters.

We offer a service where we will express an initial view on your clients pension issues totally free of charge, so you can decide whether additional work and expense are justified for any particular case.

WE ARE MOVING ON 1ST AUGUST. OUR NEW ADDRESS AND TELEPHONE NUMBER ARE SHOWN ON THE LEFT.



Actuarial Reports—Worth the Money?

It is not so much the ‘is this report good value for money?’ question that should be raised, more the ‘is this report good value for my client?’ question.

In our experience, the added value we can provide is enhanced by the degree of co-operation and communication between the parties involved. Of course, this will be obvious to most practitioners, as costs will invariably rise with the degree of contention. Ultimately, if the parties cannot agree, the courts, of course, must do it for them. Usually, everyone ends up dissatisfied, to some degree.

This is where an independent assessment may prove invaluable. The division of financial assets is rarely a zero sum game, and the parties may put different values on different types of asset, often illogically. We seek solutions that will be palatable to both parties.

Quite often, the value of a guaranteed, future stream of income is either ignored, or pushed to the background in the financial landscape. However, what an acquaintance of mine once described as ‘money for doing nothing’ surely deserves more attention than this.

Miller, Macfarlane, McCartney and Mills will emerge with enough to keep them from penury for their lifetimes—at the



other end of the scale, the best pension deal may mean the difference between one cleaning job or two in retirement. Most clients, however, can expect a more ‘middle of the road’ to their financial future than the above extremes, and our aim is to make the journey along this road a more pleasant one.

When Albert Einstein was asked what he thought man’s greatest invention was, he said ‘Compound Interest’. Whether he was serious or not, it’s a thought worth bearing in mind!

Peter Crowley is the Managing Director of Windsor Actuarial Consultants Ltd

