

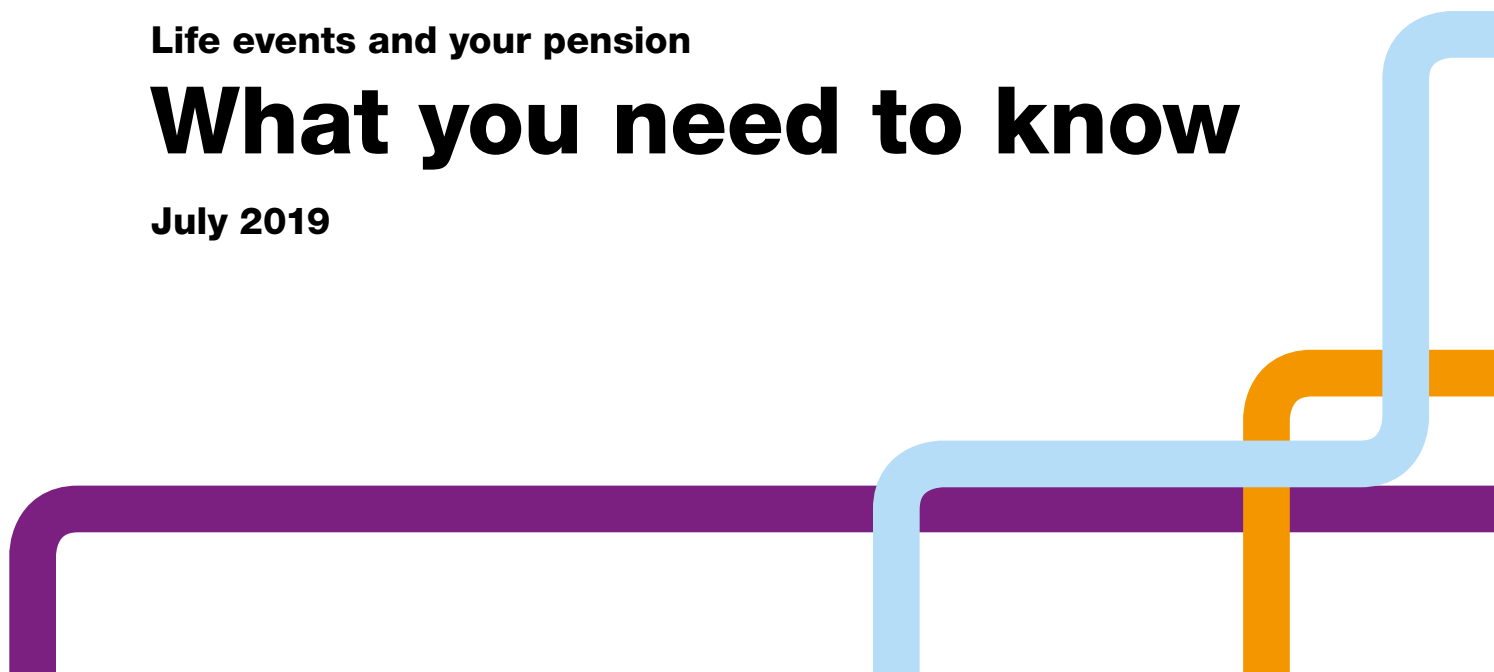
**Pension
Fund**

Your pension benefits

Life events and your pension

What you need to know

July 2019



Introduction

This guide tells you what happens to your Abbott Laboratories Pension Fund (1966) (the “Fund”) pension benefits if:

You get married

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You get divorced

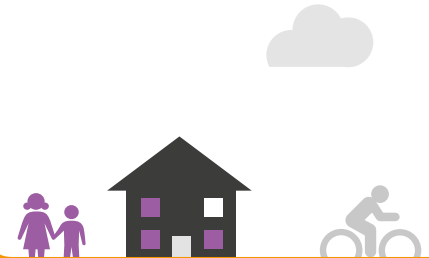
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You die while working for Abbott

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To help you find the right information easily, we have divided the guide into these sections.

This guide is intended to be an easy to read guide of the benefits available. Full information is available within the Trust Deed & Rules, the legal document which sets out what the benefits will be. Nothing in this guide can override the Rules.



1. Getting married

Getting married does not change your own retirement pension. However, it does affect the benefits paid out if you die.

The Trustee will pay a Spouse's pension to your surviving Spouse and use their discretion when paying out the lump sum. There are no differences between the pension paid to a Spouse of a marriage (including same-sex couples) or a civil partnership.

Is your Expression of Wish form up to date?

An Expression of Wish form will make sure that the Trustee is aware of your wishes. If there is a change in any of your personal circumstances, you should always check you are happy with who you have nominated to receive your lump sum death benefit. Getting married is an obvious example of when you may need to review your Expression of Wish form.

You can download a new Expression of Wish form from:

www.abbotpensionfund.co.uk

You should then send your form to the Pensions Officer.



2. Getting divorced

It is a legal requirement that pensions are taken into account in the financial settlement on divorce.

Background

Before 1996 the only way pensions could be taken into account when couples were divorcing was to offset the value against the value of other financial assets in the divorce.

Provisions brought into effect from 1 July 1996 (England & Wales), 19 August 1996 (Scotland) and 1 December 2000 (all UK) made it compulsory for courts to take pension rights into account when determining the value of the matrimonial estate. The courts then had the power to make an “Earmarking” Order, in other words a fixed percentage or amount of the member’s benefit could be earmarked for the Spouse to receive in the future.

The Welfare Reform & Pensions Act 1999 introduced the option of pension sharing on divorce – for divorces on or after 1 December 2000. Pension rights are treated as any other assets and could be transferred from one Spouse to another upon settlement.

The right to offset the value of pension rights against the value of other financial assets in the divorce settlement remains an option. So, for example, an individual will grant his or her ex-Spouse a greater value of the matrimonial home in return for keeping all of his or her pension.



Divorce – 3 steps

Step 1

File divorce petition

Step 2

Apply for decree nisi

Step 3

Apply for decree absolute
(at least six weeks after decree
nisi certificate is received)

A divorce petition needs to be filed with the court. There is currently a £550 fee to start divorce proceedings. If you are in any doubt regarding what action you need to take you should seek appropriate advice.

More information about divorce and pension:

www.pensionsadvisoryservice.org/uk
www.gov.uk/divorce/overview

How divorce affects your pension

When a married couple divorce, both parties are required to disclose all their financial assets. This includes details on pension rights. In order to create a fair division of assets, the court may decide that specific pension benefits will be designated to be paid or shared. Couples can still choose to offset pension rights against other assets (see below) but other options are available.

Below we look at what typically happens:

Active members

The split in pension rights will normally be based on the cash equivalent of the benefits that the member has built up in the fund.

Deferred members

The split in pension rights will normally be based on the cash equivalent transfer value of the accrued amount of the preserved pension.

Pensioners

The split in pension rights will normally be based on the amount of pension being paid out at the time.

The decisions that each individual takes in relation to pensions will differ according to circumstances. Due to the complexities that can be involved, if you are unsure, we would recommend that you consult your legal adviser about your divorce.

Earmarking

Earmarking is a term used to describe attachment orders made by the Court against the member's pension. When the order is made, the pension still remains that of the Fund member and the order takes effect from the date that the member's benefits come into payment. This is not necessarily a fixed date and it is possible that the former Spouse may retire later than expected.

In this respect, earmarking does not result in a clean break. The Court can order that the former Spouse receives one, or a combination of the following benefits:

- All or part of the member's pension income;
- All or part of the commencement lump sum;
- All or part of the lump sum death benefit while the member remains in active service.

Earmarking the lump sum death benefit can be deemed appropriate where the former Spouse needs to protect maintenance payments while the Member remains in service before retirement. The order lapses on the remarriage or death of the former Spouse.

A copy of the Application to the Court is sent to the Fund Administrator outlining the Order to be sought (Form P2). Once the Order has been made the ex-Spouse/Civil Partner must serve it on the pension scheme which will then notify both parties in writing. The Fund Administrator will contact the former Spouse when the member applies for payment of their pension benefits or, if the lump sum death benefit has been earmarked, when the member has died. The Administrator will check whether the earmarking order is still valid and, if so, will arrange for payment to be made to the former Spouse.

The member's pension will be settled after the relevant percentage reduction has been applied. If the member retires early the pension will still be adjusted to take into account that it is being drawn before Normal Retirement Age.

Pension Sharing

Pension Sharing is similar to earmarking in so much as the Court will issue a directive on the Fund; in this case a Pension Sharing Order (PSO). A decree absolute must be provided.

When a court orders pension benefits to be shared, the former Spouse is allocated a percentage of the member's benefits. The member's benefits are then reduced accordingly and this results in a "Pensions Debit". The Administrator has to keep track of the pension debit.

The PSO percentage is applied to the member's pension rights and that amount is then revalued in accordance with statutory revaluation orders. The value of the pensions debit is then deducted from the member's benefits at retirement. The member must then decide whether the reduction in their pension is likely to leave a gap in their pension saving. It may be possible to start or increase Additional Voluntary Contributions (AVCs) to bridge any gap.

Example

An active member aged 55, who earns £30,000 per annum with a Normal Retirement Age of 65, by which time he earns £40,000 per annum. The Pension Sharing Order gives the Spouse 40% of the member's pension.

Now

Accrued pension =

$1.5\% \times 20 \times £30,000 = £9,000$ per annum

PSO states 40% =

$£9,000 \times 40\% = £3,600$ per annum
= pensions debit

At age 65

Accrued pension =

$1.5\% \times 30 \times £40,000 = £18,000$ per annum

Pensions debit of £3,600 per annum is revalued to help compensate for inflation and increases to £4,500 per annum

Pension to the member =

$£18,000 - £4,500 = £13,500$ per annum

In turn, the ex-Spouse receives a "Pensions Credit". The ex-Spouse must transfer it into a suitable qualifying pension arrangement of their own choice. In the new arrangement the ex-Spouse may be able to exercise options different from those available in the Pension Fund, including those available under Freedom and Choice depending on the arrangement into which they have transferred (or later transferred) providing they have reached minimum early retirement age.

What pension sharing means to the member

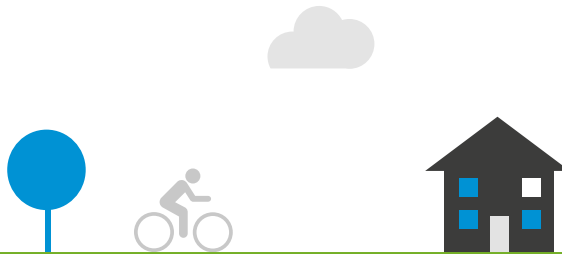
The member's pension, cash lump sum entitlement (based on the amount of the member's pension) and any subsequent Spouse's pension are reduced by the percentage allocated to their former Spouse. This reduction, or "pensions debit", is normally calculated within four months of the PSO being received and will be revalued (in line with RPI) between the date that the Pensions Debit was first calculated and the date that the member's pension becomes payable. It is the revalued pensions debit that is then deducted from the member's total pension.

The member can still transfer their remaining benefits to another pension scheme.

What pension sharing means to the former Spouse

Normally the former Spouse will be granted a pensions credit within 4 months of the PSO being implemented. When the pensions credit is made the Trustee has determined that they will not set up benefits for the ex-Spouse within the Pension Fund. The former Spouse needs to nominate a suitable pension arrangement into which the value can be transferred. If the ex-Spouse does not select such an alternative arrangement, the Trustee will select one.

As the former Spouse's pension credit is independent of the Fund Member's benefits, a Pensions Sharing Order does not lapse on the death of the Member or the remarriage of the former Spouse.



Example

A divorcing couple agree to equal pension benefits and a Pension Sharing Order (PSO) is received for 50%.

The Cash Equivalent Transfer Value (CETV) at the valuation date is £200,000 so £100,000 is transferred into a Personal Pension Plan for the ex-Spouse.

It should be noted that a simple split of the transfer value is unlikely to result in “equal benefits”. This is because the Member will continue to build up pension rights from future Service for as long as they remain in Service. Meanwhile, the value transferred out of the Fund for the benefit of the Spouse will be invested and the investment performance may be greater or smaller than was assumed. The eventual retirement benefits for the Spouse may therefore be greater or smaller than was expected.

What happens

The proceedings concerned with the financial matters are known as ancillary relief because the financial matters are seen as being ancillary (of secondary importance) to the divorce proceedings.

STAGE 1

Both parties must include any pension arrangements within a Form A as set out in Family Proceedings Rule 2.61A. This form can be submitted by either spouse (called the applicant) to the court. Upon filing Form A by either spouse the court must:

- Fix a first appointment not less than 12 weeks and not more than 16 weeks after the date of the filing of the notice;
- Serve a copy on the other spouse (called the respondent) within 4 days of the date of the filing of the notice.

The date fixed by the court for the first appointment must not be cancelled except with the court’s permission and, if cancelled, the court must immediately fix a new date.

STAGE 2

Once the court fixes the first appointment, within 7 days of each party receiving notification of the date of the first appointment, each party must ask the Fund Administrator for information in relation to the respective pension rights to include a Cash Equivalent Transfer Value (CETV).

STAGE 3

The Fund Administrator must provide the following information following receipt of Form A:

- The value of the member’s accrued pension rights. The day on which the CETV request is received is known as the Valuation Date;
- A statement summarising the way the transfer value is calculated;
- The pension benefits included, i.e. lump sum death benefits, estimated Pension Commencement Lump Sum and pension benefits on retirement, Spouse’s benefits on death:

AVC details;

- Earliest date benefits can be paid;
- Terms for the transfer of the ex-Spouse / Civil Partner benefits to another qualifying scheme;
- A schedule of charges for dealing with the PSO

The basic information is sent within 6 weeks of the request if the Fund Administrator is told that it is in conjunction with divorce proceedings.

STAGE 4

Once the member has received the information from each Fund Administrator they have 7 days to send a copy of this to the other party.

STAGE 5

The Fund Administrator will receive notification from the court that a Pension Sharing Order (PSO) may be made. At this stage the additional information to be issued includes the information listed below;

- Name and address of the scheme
- Type of scheme
- If the scheme is being wound up
- Details of any restrictions on the CETV
- If there are any previous Court Orders
- If any of the member's rights are not shareable
- If the member is a Trustee

STAGE 6

Receipt of formal PSO – when the PSO is received it should contain an annex and it must be stamped by the Court. The PSO will state the percentage of the benefits to be paid to the ex-Spouse.

STAGE 7

Implementation – the time limit from the date of the PSO to implementation of the PSO is four months. The day that the PSO takes effect is known as the Transfer Day. The scheme chooses a Valuation Day after receipt of the PSO and where the CETV previously calculated is out of guarantee it is necessary for a further CETV to be calculated. This can result in pension benefits of greater or lesser value from the original pension credit and debit.

STAGE 8

Post Implementation – once the Trustee has implemented a PSO the Trustee will issue a notice of discharge of liability to both the member and the ex-Spouse. The notice must be issued within 21 days, beginning on the day on which the discharge of liability in respect of the ex-Spouse's pension credit is completed.

It should be noted this is our understanding as of January 2017. Both the process and forms may change from time to time, and this outlines our understanding of how the court operates.

Remember:

- Contact the Administrator to update your details
- Update your Expression of Wish form
- Update Workday



3. If you die

Pension benefits

Spouse/Civil Partner pension

If you die, the Fund pays a pension to your Spouse/Civil Partner. The amount payable on the death of an active member is based on 50% of the pension that would have been paid to the Member, had they remained in pensionable employment up until age 65. The Spouse's pension may be reduced if the Spouse is more than ten years younger than the member.

This information is contained in the yearly benefit statement that is normally issued around September each year. There is no minimum amount of qualifying service. The reason for date of death does not affect any of the benefits.

Child's pension

Where the member dies without leaving a Spouse/Civil Partner, a child's pension can be paid until that child reaches age 18 (or up until age 23 if still in full-time education). The Administrator will ask to see letters of acceptance if a child remains in full-time education. If there is more than one child, when one child's pension ceases, the pension(s) payable to the remaining children will be adjusted accordingly.


Example

How a child's pension is paid

Mr Wiseman died without leaving a Spouse, but he was survived by his two daughters Lydia and Sophie.

Lydia was age 16 when her father died, and her sister Sophie was 12. The two children each received half of the pension that would otherwise have been paid to the Spouse. Lydia went to university aged 18 but, shortly after her 19th birthday, she dropped out of university prior to completion of her degree, and obtained a full-time job. Lydia's pension stopped when she left full-time education.

The pension payable to her younger sister Sophie, now aged 15, will continue to be paid, but it will increase to the full rate of the Spouse's pension, rather than half. When Sophie ceases to be in full-time education, no further payments will be made. However, if she remains in full-time education, then her pension could continue to be paid (with annual increases) up until age 23, or the end of her full-time education, whichever is the sooner.



Life Assurance benefits

The lump sum death benefit for active Members is normally equal to three times Death Benefit Earnings.

The Fund provides the core level of Life Assurance benefit for its members. The Abbott Laboratories Life Assurance Plan provides any additional Life Assurance cover that an employee may have selected through Abbott Life.

The Life Assurance benefits are currently insured with Legal & General. Members are currently not required to submit any evidence of health.

This benefit does not form part of the Estate on Death, as the benefits are written under a discretionary Trust.

The benefit can be paid to the beneficiaries shown on the Expression of Wish form but the Trustee will exercise discretion and is not bound to follow the nominations shown on the form.

Once the Trustee has decided on the discretionary distribution of the lump sum death benefit, the Administrator writes to every beneficiary confirming that payment will be made into their bank account. It is possible for the surviving Spouse to be paid a lump sum death benefit in addition to a Spouse's pension for the rest of their lifetime.

A separate letter is issued once the Spouse's pension has been set up by the Administrator. It is not unusual for the Spouse's pension to be set up before the lump sum death benefit is payable. When the Spouse's pension is settled, the Fund Administrator will write to the Spouse showing the first payment date for the pension and any arrears of pension that are due. It will also set out which elements of the pension will be increased and by what indexation method once in payment.

Did you know?

Core life cover is provided at no cost to you

You can normally increase your level of life cover in steps of 1 x Death Benefit Earnings at each flexible benefits enrolment window. This increase is at your own cost.

Any increase in cover normally can take effect only from 1 January but if you experience a life event at any other date you can make the change from that date.

You must be actively at work on the day that cover starts. You are considered to be actively at work if you have not been absent from work due to ill health on the day that your cover becomes effective.

Spouse/Civil Partner Checklist

Working out what to do first when someone dies can seem overwhelming.

Our checklist provides a list of the essential things your Spouse/Civil Partner may need regarding your Abbott pension. You may wish to print this and keep a copy where your Spouse/Civil Partner can easily access it. Depending on your circumstances, the list may not be exhaustive.

- Obtain medical certificate from the GP or hospital – this document is needed in order to be able to register the death
- Register death at the Council Register Office within 5 days of the date of death. Remember to bring the deceased relative's birth and marriage certificates as appropriate
- Arrange a funeral with a funeral director
- Use the "Tell US Once" system, which can be used to notify all government departments of the death, for example HMRC, NI Confs Office, Tax Credits Office, DVLA, Council Tax etc
- Call the Pension Service helpline on 0345 606 0265 if the individual was already in receipt of the state pension
- Telephone the Pensions Officer, on 01628 774613
- Locate a copy of the Will
- Notify other financial organisations separately e.g. bank, insurance company

4. Glossary

Estate

Everything that is owned by a person who has died is known as their Estate. This includes money, both cash and funds in a bank account, any monies owed, shares, property and personal possessions.

Death Benefit Earnings

As described in the Members' Guide.

Executor

Someone named in the Will as responsible for dealing with the Estate. An executor may have to apply for legal authority before they can deal with the Estate. This is called probate.

Administrator

An Administrator is someone who is responsible for dealing with an estate under certain circumstances, for example, if there is no Will, or the named executors aren't willing to act. An Administrator has to apply for letters of administration before they can deal with an estate.

Personal representatives

People who have the power to dispose of the deceased's Estate. These will be the executors if there was a Will. If the member dies without leaving a Will, personal representatives will be named in the Letters of Administration which the appointed solicitor would apply for.

4. Need help?

More information is available from the Pensions Officer by contacting:

01628 774613 ukpensions@abbott.com

Outside of Abbott, there are a range of services which look to support you in making the right decision:

www.gov.uk

For information about pensions and pensioner benefits, including planning for the future, whether you're about to retire or have already retired.

The site also covers State Pension information and advice.

www.moneywise.co.uk

Moneywise covers all the financial matters that impact on your money and lifestyle.

www.pensionsadvisoryservice.org.uk

The Pensions Advisory Service (TPAS) has launched a web-based tool aimed at helping people with their choices and decisions when they come to retire.

www.moneyadvice.service.org.uk

The Money Advice Service website contains a wealth of information and downloadable booklets on retirement and retirement options; you can also find comparison tables on products to help you compare annuities, savings and investments.

How to find out more information about your Fund

You will find information about the Fund in a number of different places, for example on **Abbott Life** and **MyHR**. All of the information can be found in one place on the Fund website www.abbottpensionfund.co.uk.

Here you can download a copy of the Members' Guide, see information about how the Fund is run, refer to articles about Fund investments, how AVCs work and much more.

If you joined the Fund before 1 March 2005 you should also refer to the Members' Guide supplement which is specific to you.