

Marriage Breakdown Pension Valuation:  
Ontario Bill 133, Plan Sponsor Costs, and Other Issues

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# Division of Assets on MB

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- A marriage is considered an economic partnership
- When a marriage ends, assets earned during marriage must be shared
- Only applies to common-law partnerships in some jurisdictions



# Division Jurisdictions

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- BC, AB, SK, QC, NB, NS, NF, YK
- Every asset earned during marriage must be shared, including the pension
- The pension member can buy-out the non-member spouse and keep their pension



# Equalization Jurisdictions

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- MB, ON, PEI, NU, NT
- Equalization jurisdictions – one spouse pays the other spouse half of the difference between the total after-tax value of their assets earned during marriage
- After-tax value of pension is included in assets



# Equalization Jurisdictions

	Mr. Smith	Ms. Smith
Home	\$200,000	\$200,000
RRSP (after tax)	\$250,000	
DB Pension (after tax)		\$400,000
Investments	\$200,000	
Total	\$650,000	\$600,000

- The difference in assets earned during marriage is \$50,000 (\$650,000 less \$600,000)
- Mr. Smith would owe Ms. Smith an equalization payment of \$25,000 (50% of the difference)



# Pensions and Family Law

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- Pensions are a marital asset
- Both vested and non-vested/contingent pensions are considered assets
- The pension or the “value” of the pension earned during marriage is shared on marriage breakdown



# Value of the Pension on Marriage Breakdown

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- The family law value of the pension is ultimately a question of law
- If there is no law, actuaries should use the CIA SOP for determining pension values on marriage breakdown
- Generally speaking, the family law value is NOT the commuted value
- The family law value can include unvested ER subsidies, future salary increases, ad hoc pension indexing, etc.



# Value versus Division

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- On marriage breakdown, pensions can be divided in various ways, depending on the jurisdiction
- The law for pension division is not necessarily the same as the family law treatment of pensions
- Differences between the family law value and the value of the pension that can be paid from the plan must be settled using other assets





# Deferred Settlement

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- BC, NS, NL
- By default, the pension is divided at source, with the non-member spouse becoming a limited member of the plan
- At retirement the non-member spouse receives 50% of the pension earned during marriage (pro-rata on service), which includes all salary increases post-marriage



# Deferred Settlement

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- If retired, the pension payment is split
- Payment can be made in lieu of division and may include future salary increases, ER subsidies, ad hoc increases, etc.
- Payment is generally consistent with the CIA MB SOP and not the commuted value standard



# Immediate Settlement

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- AB, SK, MB, QC, NB (ON in January 2012)
- For pensions not in pay, an immediate lump sum transfer can be made
- Value is the commuted value (SK, MB, NB) or modified commuted value (AB, QC)
- For pensions in pay, the pension earned during marriage is split at source (lump sum in QC/NB)



# Immediate Settlement

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- AB/SK family law value is calculated in various ways (i.e. CIA MB SOP, non-actuaries, etc.) – any difference between family value and lump sum from plan must be settled with other assets
- In MB/NB is commuted value generally accepted as the family law value
- In QC, federal plans are valued in accordance with CIA MB SOP - provincial plans are based on modified commuted value (inconsistent)



# Combination

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- Many deferred settlement jurisdictions allow immediate settlement in some situations
- NL always offers members who are not retired the choice between immediate settlement and deferred settlement
- SK allows deferred settlement when member is eligible for an unreduced pension



# Federal PBSA Division

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- Immediate settlement
- Applies to YT, NU, NT
- Up to **100%** of the commuted value can be paid to the non-member spouse
- Many federally regulated pensions do not adhere to provincial division rules and only offer the PBSA division
- The PBSA lump sum value is not necessarily the family law value



# Federal PBDA

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- Federal government pensions plans (i.e. federal civil servants, RCMP, military, etc.)
- Immediate settlement
- The lump-sum is calculated based on the termination and retirement scales used for the funding valuation
- The lump sum payment is not the family law value

