

Pension Division on the Breakdown of a Relationship in BC

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Pension benefits are family property and like other family property are subject to division when a marriage or *marriage-like* relationship ends. This publication is intended to explain a plan-administered division of pension benefits accrued under the University of Victoria Combination Pension Plan. In the event of any discrepancy between the contents of this publication and the plan documents or applicable statutes, the plan documents and statutes apply.

If a separation agreement or court order states that the pension is to be divided under Part 6 of the *Family Law Act (BC)*, the provisions of the *Act* and the *he o43c Pens*)

INTRODUCTION

Under the *Family Law Act*, a *spouse* may be eligible for one or more of the following options: a lump sum transfer (generally to a locked-in *Registered Retirement Savings Plan*), a *separate pension*, or a share of a pension that is already being paid.

To further explain these options and when they apply, we first need to provide a brief explanation of the Combination Plan. That is because the rules for division differ based on whether benefits are *defined contribution (DC)* or *defined benefit (DB)* and whether division is before or after a pension has commenced (called a "*matured pension*"). *DC* is when pension benefits are determined by accumulated contributions and investment returns (rather like an *RRSP*). *DB* is when pension benefits are determined by a formula, typically using a member's salary together with years of service multiplied by a percentage of salary (the accrual rate).

The Combination Plan has a hybrid structure with both *DC*

future pension payable to the member. As the future pension may

Immediate Division of a Matured pension: *Matured pensions* are either pure *DB* pensions (closed group of pre-1990 retirees) or *internal variable annuities* which may or may not include a *DB* supplement. They do not include v

Pensions are paid on the first of the month. The first payment to the *spouse* is made after one full calendar month has elapsed since receipt of all documentation and fees (e.g., if forms are received July 10th, the first payment to the *spouse* is due September 1st, but may be delayed pending determination of final account balances and payroll data).

- survivor benefits – there are limits to the extent to which a survivor benefit may be provided with a pension and selecting a survivor benefit reduces the *limited member's* lifetime pension. The maximum survivor benefit for a pension is a single life guaranteed 15 years (or joint life if the *limited member* has a *spouse*). A lump sum provides full survivor benefits without reducing the *limited member's* income; whatever remains on death forms the survivor benefit.

DEADLINE FOR DIVISION

The deadline date for division is the date the member commences a benefit. When the member selects a benefit, the *spouse* will be

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spouse is required to transfer out their share, a spouse may want to consider requesting a transfer before the deadline.

VALUE OF THE PENSION

If a member calls the Pension Office and simply asks for the value of their pension or pension account without explaining that the purpose is for dividing a pension, 7T(d).003 T.(o)12(87Tj0 Tc BT/TT0 vl)3(i)4(r)TJ0 81air

SEPARATION AGREEMENTS AND COURT ORDERS

If the separation agreement provides for a plan-administered division of the pension, prior to final signoff it is a good idea to send the Pension Office a draft of the pension section to ensure there is sufficient clarity for the Pension Office to divide the pension. Required elements are:

- the correct name of the pension plan;
- that the pension is to be divided in accordance with Part 6 of the *Family Law Act (BC)*;
- the *entitlement period*;
- the percent to be allocated to the *spouse*, if other than 50%;
- if the member has voluntary and/or accruals under the Supplemental Benefit Arrangement, the agreement must clearly state whether they are also subject to division; and
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A silent agreement is deemed to allocate the pension 100% to the member.

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| | Form | Fee |
|------------------------------------------------------------|----------------------|------------|
| Divide a matured Combination Plan pension | <i>Form P2</i> | \$750 |
| Register as a <i>limited member</i> under Combination Plan | <i>Form P2</i> | 925 |
| Divide a <i>Combined Contribution Account (CCA)</i> | <i>Form P3</i> | 175* |
| Divide a <i>Variable Benefit Account (VBA)</i> | <i>Form P3</i> | 175 |
| Divide a -0 0 11.52 112.08 0 11.52 285 44 | <i>divide accocn</i> | |

other than for the purpose of dividing benefits under Part 6 of the *Act* or determining compensation for those benefits or in the course of permitting the documents to be introduced into evidence in proceedings involving the benefits.

SPECIAL SITUATIONS

If the member has entitlements under the Supplemental Benefit Arrangement, the Pension Office should be consulted. The same is true for any other situations not addressed in this publication.

| Step 3 | | Step 4 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Immediate division (see Division methods) | Deferred division | <i>Separate pension (following deferral & subject to eligibility)</i> |
| Pay admin fee (\$175 in total, per account, for lump sum transfer; \$750 in total for share of <i>matured pension</i>). | Pay admin fee if <i>spouse</i> is registering as a <i>limited member</i> (\$925 in total). | |
| CCA/VBA reduced by amount of transfer (before the final month's interest). Credited service reduced by one-half service credited during <i>entitlement period</i> . | All benefit statements continue to show undivided benefits. | CCA reduced by amount of transfer (before the final month's interest). Credited service reduced by one-half service credited during <i>entitlement period</i> . |

Submit final agreement or court order.

To be paid a portion of a *matured pension*, submit a *Form P2* (plus bank deposit form and TD1s).

To request a lump sum transfer, submit a *Form P3* (plus T2151 form(s) and carrier lock-in agreement, if applicable).

File *Form P2* to become *limited member*.
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GLOSSARY OF TERMS

Combined Contribution Account (CCA) – is a member's *defined contribution (DC)*

within 60 days of request (updates within 30 days of request). The prescribed *information* is:

- a copy of the member's last annual statement (with personal information edited out);
- report of member's most recent *CCA* balance;
- report of member's history of salary, service and contributions;
- a copy of the plan document (or where it can be found on-line);
- a copy of the most recent annual report for the plan which contains information on options, annuity rates and early retirement reduction factors for the plan; and
- information as to whether or not the *spouse* is the member's beneficiary.

Life Income Fund (LIF) - a type of registered retirement income fund that is used to hold locked-in pension funds, and eventually pay out retirement income. The *life income fund (LIF)* cannot be withdrawn in a lump sum; rather, owners must use the fund in a manner that supports retirement income for their lifetime. Withdrawals are subject to a minimum and maximum, which are determined annually.

Limited Member - is a *spouse* who has been designated as a *limited member* by filing a *Form P2* with the Pension Office and paying the applicable administrative fee.

Marriage-Like - For purposes of dividing a pension, a relationship was "*marriage-like*" if the parties lived in a *marriage-like* relationship for a continuous period of at least 2 years (section 3 of *Family Law Act*)

Matured pension – is an internal variable annuity and/or defined benefit pension that has already commenced. A variable benefit (*LIF*-type) pension is not considered a mature pension.

Proof of age documentation - consists of a certified true copy of a Canadian birth certificate and any change of name documents (such as marriage certificate(s)) that link the name on the birth certificate with the current name. If the foregoing is not available, contact the Pension Office for other acceptable documents.

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entitlement is 100% *DC*; the member may subsequently choose an internal variable annuity from the plan, but the annuity would have no *DB* minimum. *VBA*'s are therefore divided on an immediate basis with a lump sum transfer.

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