Pension Division on the Breakdown of a Relationship in BC

University of Victoria Combination Pension Plan

CONTENTS

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 *Division of Pensions Regulation* apply unless varied by agreement between the member and *spouse* or a court makes a contrary order. This publication assumes that there is no variation and that the *spouse* is being allocated one-half the pension accrued during the relationship using the formulae set out in the *Regulation*. If your situation differs in any way, you will need to consult with the Pension Office and/or legal counsel.

It is highly recommended that members and *spouse*s obtain independent legal advice about individual rights when dividing a pension or any other family asset, particularly when agreeing to leave a pension intact and dividing family assets another way. Values ascribed to a pension before retirement can vary greatly depending on the assumptions used in the valuation process.

Members and *spouse*s, as well as consultants and lawyers, who have questions concerning the division of pension benefits may refer to the "Questions and Answers About Pension Division on the Breakdown of a Relationship in British Columbia" at *www.bcli.org*.

Please refer to the Glossary of Terms for definitions of *italicized* text in the body of this publication.

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* and *DB* features. The plan is predominantly *DC*, but also has a *DB* minimum. Every member has a *DC* account called a *Combined Contribution Account (CCA)*. Upon retirement, a member has a number of options regarding their *CCA*. One of those options is to buy an annuity from the plan. If the member selects the annuity and it is less than a pension calculated under the plan's *DB* formula, a supplement is payable. The *DB* formula is shown on the member's annual "Estimate of Accrued Pension" which is part of a member's annual statement package. The top portion of the estimate shows the calculation of the accrued *DB* minimum based on salary and service credited up to the date of the statement; the bottom portion projects forward the *CCA* at three different rates of return (to show sensitivity to return), again based only on contributions made up to the statement date, then converts that *CCA* to an annuity and shows the *DB* supplement (if any).

How significant are supplements? At the plan level supplements are not significant: less than 2% of total benefit payments in 2012 were for supplements and only 15% of all pensioners were receiving a supplement. However, at the individual level they can be very significant: 75% of annuitants received a supplement in 2012 and in many of these cases the supplement represented over 30% of their total pension.

DIVISION METHODS – IMMEDIATE OR DEFERRED

Under the *Family Law Act*, the method of division depends on the type of benefits and whether they are *defined contribution (DC)* or *defined benefit (DB)* and whether the pension is "matured". *Matured pension*s and *DC* accounts can be divided on an immediate basis, whereas *DB* pensions are divided on a deferred basis. Hybrid pensions may be divided either on an immediate or deferred basis.

Matured pensions: Division of a *matured pension* is **<u>immediate</u>** because the pension is a known amount. In this context, a *matured pension* generally refers to an annuity or annuity-like pension. *Matured pension*s do not include variable benefit (*LIF*-type) pensions.

DC Accounts: Division of *DC* accounts is also **<u>immediate</u>** because the *spouse*'s proportionate share is one-half the contributions made during the relationship plus returns/interest. This share is then transferrable in a lump sum, usually on a locked-in basis.

DB Pensions: Division of *DB* pensions is generally on a **<u>deferred</u>** basis because the *spouse* is entitled to a proportionate share of the future pension payable to the member. As the future pension may depend on such things as final average salary, the value can change materially over time. A *spouse* can elect to receive their proportionate share of a *DB* pension in the form of a (future) *separate pension* or a lump sum transfer. The *separate pension* must be available once the member reaches earliest retirement age. Unless the agreement or order provides otherwise, the *spouse*'s proportionate share (%) of a *DB* pension is:

$$\frac{1}{2} \times \frac{\text{credited service during } \textit{entitlement period}}{\text{Total credited service}}$$

Hybrid pensions: Division of hybrid pensions, such as the Combination Plan, may be **immediate or deferred.** If division is immediate it is on a *DC* basis (i.e. lump sum transfer). If division is deferred, when the member reaches earliest retirement age, the *spouse* **may** be eligible to choose a *separate pension*. The reason we say **may**, is that an administrator is only required to offer a *separate pension* to the extent that total benefits exceed those payable on a pure *DC* basis. The next section explains the two options and the eligibility criteria for a *separate pension*.

Division Options for a *Spouse* of a Combination Plan Member

The first step in dividing a pension is for the *spouse* to file a *Form P1* with the Pension Office. The *Form P1* notifies the Pension Office that there is a pending claim on the pension and entitles the former *spouse* to receive *information* on the pension benefits. Following submission of the *Form P1*, if the final agreement or court order provides for the pension to be shared under Part 6 of the *Family Law Act,* the pension benefits will be divided as explained below.

Immediate Division of a Matured pension: *Matured pension*s 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 variable benefit pensions which are divided under the rules for dividing a *DC* account. When a *matured pension* is divided, it is the stream of income that is divided, not the underlying pension. The *spouse* is entitled to a proportionate share of the income stream until he or she dies, or until benefits cease (as would be the case if the pension was single life and the member died before the *spouse*).

The *spouse*'s proportionate share (%) of a *matured pension* is:

$$\frac{1}{2} \times \frac{\text{credited service during } \textit{entitlement period}}{\text{Total credited service}}$$

To divide the income stream of a *matured pension*, the following is required:

- an administrative fee of $1000 (cheque payable to University of Victoria Combination Pension Plan if fees are to be paid up front)
- *Form P2*
- Copy of the relevant pages of the separation agreement or court order (first page, last page and pages relating to pension) or *Form P9*
- Personal Tax Credits Return (TD1 and TD1BC); and
- Application for Direct Deposit with a VOID cheque attached.

Pensions are paid on the first of the month. The first payment to the *spouse* is made on the next payment date after 30 days have elapsed since receipt of all documentation and fees (e.g., if forms are received July 10th, the first payment to the *spouse* is September 1st).

The member and *spouse* are each taxed on their portion of the income stream. Whatever optional form applied to the pension before division, continues to apply. For example: if the pension is a single life pension, when the member dies, both portions of the pension cease.

Immediate Division of a DC Account: *DC* Accounts include a *CCA*, *Restricted Voluntary Account (RVA), Unrestricted Voluntary Account (UVA)* or *Variable Benefit Account (VBA)*. The *spouse*'s proportionate share is one-half the contributions made during the relationship plus returns to the end of month prior to payment with interest added for the final month. The *spouse*'s proportionate share of a *DC* account is transferrable to one of the following:

- A (locked-in) *Registered Retirement Savings Plan (RRSP)*;
- Another registered pension plan;
- A *LIF* - the *spouse* or member must be at least age 55; or
- An insurance company for an immediate or deferred life annuity – the *spouse* or member must be at least age 55 to purchase an immediate annuity with locked-in funds.

The lock-in rules that apply to the *spouse*'s transferred funds are essentially the same as those that apply to the member. Any portion of the contributions that was not locked-in for the member is not locked-in for the *spouse* and may be paid in cash (less withholding tax) or transferred to a regular *RRSP* or Registered Retirement Income Fund (vs. *LIF*) (no age restriction). If the member is on the variable benefit, withdrawals made during the *entitlement period* are applied to the member and *spouse*'s respective shares; withdrawals made after the *entitlement period* are applied to the member's share, subject to the withdrawals not exceeding limits set under the *Pension Benefits Standards Act (BC)*.

To request a lump sum transfer from a member's *DC* account(s) **in full satisfaction of the claim** on the pension, the following is required:

- an administrative fee of $200 per account (cheque payable to University of Victoria Combination Pension Plan if fees are to be paid up front) (not applicable if the *spouse* previously registered as a *limited member*)
- *Form P3*
- a copy of the relevant pages of the separation agreement or court order (first page, last page and pages dealing with pension) or *Form P9*;
- Direct Transfer form (T2151) - a separate form is required for each account (*CCA/VBA, RVA, UVA*) and for locked-in and non locked-in funds and a specimen number is required if the destination is a locked-in *RRSP*; and
- Carrier lock-in agreement if any portion is being transferred to a locked-in *RSRP* - Part II is to be completed by the *spouse* and Part I is to be completed by the carrier (the financial institution) accepting the funds for the locked-in transfer.

A *spouse,* who is considering transfer options, can obtain a calculation of their share of the *CCA/VBA, UVA and RVA* if the administrative fee has been paid and they submit a *Form P3* and copy of the separation agreement or court order; the other transfer forms can be submitted at a later date. The Pension Office is not obligated to provide a calculation more frequently than once per calendar year.

Deferred Division - Registration of* spouse *as a* Limited Member *with <u>possible</u> option for a* separate pension*: A *spouse* may defer division to a later date and <u>possibly</u> qualify for a *separate pension*. The reason we say <u>possibly</u>, is that if there is no *DB* supplement (i.e.

it is nil), there is no requirement to offer a *separate pension* – the *DC* division already captures full value of the benefit. Nevertheless, the Pension Board has decided that a *spouse* may choose an internal variable annuity with *DB* minimum, if the *spouse*'s actuarially equivalent share of the projected *DB* minimum is at least 90% of the annuity available from the *spouse*'s projected share of the *CCA*. The Pension Office has sole responsibility for calculating projections and discretion regarding what assumptions are appropriate.

In order to qualify for a *separate pension*, a *spouse* must first register as a *limited member*. The following is required:

- an administrative fee of $1200 (cheque payable to University of Victoria Combination Pension Plan if fees are to be paid up front)
- *Form P2*
- a copy of the relevant pages of the separation agreement or court order (first page, last page and pages dealing with pension) or *Form P9*;

Following registration as a *limited member*, the Pension Office must send the *limited member* any information or notice that is available to plan members as well as information on options available to the member and *limited member*, and confirmation of whether the *limited member* is the member's beneficiary. The information must be sent once per calendar year. The annual information will include a statement of the *spouse*'s share of the member's *CCA* and, if the *spouse* is potentially eligible for a *separate pension* within the next 12 months, a statement of that pension.

NOTE: It is not necessarily in a *spouse*'s best interest to register as a *limited member*. That is because the fee to register as a *limited member* is significantly higher than the fee to divide the pension on a *DC* basis and the *limited member* may not become eligible for a *separate pension*. A *spouse* who is not eligible for a *separate pension* must eventually transfer their share of the *CCA* out of the plan.

To request a *separate pension*, the *spouse* must first confirm eligibility with the Pension Office and register as a *limited member* (see above).

The survivor benefit for a pension depends on the optional form selected by the annuitant (*limited member*). The normal form (base benefit) is single life with no survivor benefit. Optional forms are: joint life where 60%, 66.7%, 75% or 100% of the pension continues to the joint annuitant (who must be the annuitant's *spouse*); two-thirds joint life where 66.7% of the pension continues after whoever dies first whether that is the primary or joint annuitant; single life guarantee where payments are made for the annuitant's lifetime with a minimum guarantee of 5, 10 or 15 years (in the event of death, payments continue to a designated beneficiary until the end of the guarantee period which starts when the pension first commences); and finally, a full joint life may be combined with a 10 or 15 year guarantee.

To apply for a pension, the *limited member* must provide the following:

- *Form P4*
- the start date for the pension (at least one full calendar month of notice is required);
- the selected optional form (i.e. single life; 5, 10 or 15 year guarantee; joint life);
- *proof of age documentation*;
- Personal Tax Credits Return (TD1 and TD1BC); and
- Application for Direct Deposit with a VOID cheque attached.

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 s*pouse* is due September 1st, but may be delayed pending determination of final account balances and payroll data).

Each 1 July, the annuity portion of the pension is adjusted to reflect the investment performance of the plan during the prior calendar year (or that portion of the year that the annuity was being paid), relative to 3.5%, and actuarial gains or losses (e.g.: longevity experience of the group of annuitants). The *DB* minimum is adjusted for the average annual change in the Canadian Consumer Price Index to a maximum of 3% per year.

Choosing Between a* Separate Pension *and a Lump Sum Transfer: Before deciding between a *separate pension* and lump sum transfer, a *spouse* may wish to consult with a financial planner or other advisor. When choosing an option, considerations include:

- the size of the *DB* supplement, if any;
- the need for certainty – although the annuity portion of the *separate pension* is variable, the *DB* minimum provides some certainty in that if the annuity declines, the total pension will not be less than the *DB* minimum which is (partially) indexed for inflation.
- flexibility – when a pension is selected, ownership of the funds is exchanged for lifetime pension and there is no further choice regarding the amount and timing of benefit payments; when a lump sum is selected, ownership is retained, along with flexibility to choose how the funds are invested and, within limits, the amount and timing of benefit payments.

- 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 notified and given 30 days to select an option.

If the *spouse* had only ever filed *Form P1***,** and does not respond, the *spouse*'s share may be included with the benefit the member selects in which case the member will be responsible for paying the former *spouse*. If the *spouse* had filed a *Form P2* and was a *limited member*, but does not respond, the *spouse*'s share is payable in the form of a lump sum transfer from the member's *CCA*. If the *spouse*'s share is retained in the plan, no returns or interest will be added beyond the deadline date.

NOTE: *The dollar value of a* spouse*'s share of a* CCA *fluctuates with the net returns of the Balanced Fund in which the monies are invested. The Balanced Fund comprises approximately 54% equities, 36% fixed income and 10% real estate. As a result there can be significant month-to-month fluctuations in balances. To mitigate the risk of short-term market volatility negatively impacting the* spouse*'s share of the pension at a time when the* 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, they will likely be quoted the most recent *CCA* balance. It is important to recognize that the *CCA* balance is ***not necessarily representative of the value*** of the pension for division purposes, because it does not include the *DB* component.

As explained in the Introduction, the *DB* component of the Combination Plan may have little or no value, or may have very significant value. The situation is different for every member and broad generalizations are not reliable.

To obtain the value of the *DB* component and total pension, the member and/or *spouse* will need to obtain the services of an actuary. Values should only be required if the pension is being left intact, being shared with a compensating payment or being taken into consideration when dividing other assets. If the pension is being divided under Part 6 of the *Family Law Act*, values are usually not necessary.

With written authorization from a member or written authorization from a *spouse* via a *Form P1*, the Pension Office can provide the following prescribed *information* to an actuary to assist them in valuing the total pension, including the *DB* minimum:

- a copy of the member's last annual statement (with personal information edited out);
- a report showing the most recent *CCA* balance;

- a report showing the member's history of salary, service and contributions;
- a copy of the plan document (or directions on where it can be found on-line); and
- 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.

Information on retaining an actuary is available on the website of the Canadian Institute of Actuaries, *http://www.cia-ica.ca/home* .

CALCULATIONS FROM THE PENSION OFFICE

Upon request, and subject to providing the dates of the *entitlement period*, the Pension Office will provide ONE preliminary calculation of the *spouse*'s approximate share of the member's *CCA*. In addition to the calculation of the division of the *CCA*, a calculation of the *separate pension* option will be provided if:

- the member is at least age 55 or will reach age 55 within the next 12 months; AND
- the s*pouse*'s actuarially equivalent share of the *DB* minimum is at least 90% of the annuity purchased with the *spouse*'s share of the *CCA*.

Subsequent calculations are available annually, after the appropriate forms have been filed and fees paid.

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
- explanation of any other special provision for dividing the pension that varies from those under the *Family Law Act.*

When submitting a copy of a separation agreement or court order, all that is required is the first page, last page (with signatures), and the portions pertaining to the pension.

Impact of a Division on a Member's Remaining Pension

If a *spouse* files a claim on a member's pension or a request for *information* (*Form P1*), the claim remains on the member's pension until the pension is divided or the claim is removed. A claim may be removed with either a *Form P7* or submission of a separation agreement or court order confirming the pension was not divided. A silent agreement is deemed to allocate the pension 100% to the member.

A claim on a pension must be settled prior to payment of a benefit to the member.

If there is a claim on a pension, the member's benefit statements continue to show the UNDIVIDED benefit amounts until the claim has been "discharged". A claim is discharged when a *spouse* has either commenced a *separate pension* or transferred their share of the *CCA* out of the plan. Once a claim has been discharged, the member's *CCA* will be reduced by the amount allocated to the *spouse*; the member's credited service will be reduced by one-half the service credited during the *entitlement period*; and the benefits reported on any future statements will be 100% the member's.

Administrative Fees

The *Family Law Act* allows administrators to charge fees for a plan-administered division of pension benefits. The Pension Board has decided to charge the maximum fees permissible by legislation. This is because the fees only partially offset the costs of administering the division and do not amount to full recovery. Plan administration costs are deducted from returns and reduce the net return credited to all members' accounts. Charging the maximum limits the extent to which costs are passed on to other members of the plan. The member and *spouse* are jointly responsible for paying the fee(s). If either pays more than half, they can recover the excess from the other party. Fees are either payable in the form of a cheque made payable to the "University of Victoria Combination Pension Plan" **or**, if the fee is not paid upfront by the member or spouse or both, the fee will be deducted from the total value of the benefit prior to payment.

	Form	Fee
Divide a matured Combination Plan pension	*Form P2*	$1200
Register as a *limited member* under Combination Plan	*Form P2*	$1200
Divide a *Combined Contribution Account (CCA)*	*Form P3*	$200*
Divide a *Variable Benefit Account (VBA)*	*Form P3*	$200
Divide a *Restricted Voluntary Account (RVA)*	*Form P3*	$200
Divide an *Unrestricted Voluntary Account (UVA)*	*Form P3*	$200

**not required if the* spouse *previously registered as a* limited member

If a claim is withdrawn after payment of a fee but before the division is complete, the fees are not refundable.

WITHDRAWING A CLAIM

A claim may be withdrawn with either a *Form P7* or submission of the separation agreement or court order confirming the pension was not divided. A silent agreement is deemed to allocate the pension 100% to the member. A *Form P7* cannot itself be withdrawn and cannot be used to cancel a division that is already in progress (or that has been completed). If a claim is withdrawn after payment of a fee but before the division is complete, the fees are not refundable.

CONFIDENTIALITY

Information provided regarding a member and his/her pension benefits is confidential. It is provided in accordance with the provisions of Part 6 of the *Family Law Act* and the *Division of Pensions Regulation.* In accordance with Section 13 of the *Regulation*, it must be kept in confidence and may not be disclosed 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.

SUMMARY OF PROCESS FOR DIVIDING A COMBINATION PLAN ENTITLEMENT

	Step 1	Step 2
	Breakdown of relationship	**Negotiation of separation agreement**
Both		
Member	Request *information* from Pension Office on Pension.	If the pension is to be divided, give the Pension Office a draft of the pension section of the agreement.
Spouse	File *Form P1* with Pension Office and request *Information* on the member's pension.	If the pension is not being divided, withdraw the claim (*Form P1*) with a *Form P7*
Pension Office	Send member a ***Form P6*** when a ***Form P1, P3*** or ***P7*** is received	
	Provide *information* to the member or to a *spouse* who has submitted a *Form P1* within 60 days of a request. The *information* allows the member or *spouse* to engage an actuary to value the benefits.	Notify the member/*spouse* if any clarification is required regarding provisions in the separation agreement (e.g.: the *entitlement period* must be specified). Provide ONE preliminary calculation of the *spouse*'s share of the benefits (see Calculations from the Pension Office).

<table>
<tr><th colspan="2">Step 3</th><th>Step 4</th></tr>
<tr><th>Immediate division (see Division methods)</th><th>Deferred division</th><th>Separate pension (following deferral & <u>subject to eligibility</u>)</th></tr>
<tr><td>Pay admin fee ($200 in total, per account, for lump sum transfer; $1200 in total for share of matured pension) or advise Pension Services that the fee is to be deducted from the total value of the benefit prior to payment</td><td>Pay admin fee if spouse is registering as a limited member ($1200in total)) or advise Pension Services that the fee is to be deducted from the total value of the benefit prior to payment</td><td></td></tr>
<tr><td>CCA/VBA reduced by amount of transfer (before the final month's interest).

Credited service reduced by one-half service credited during entitlement period.</td><td>All benefit statements continue to show undivided benefits.</td><td>CCA reduced by amount of transfer (before the final month's interest).

Credited service reduced by one-half service credited during entitlement period.</td></tr>
<tr><td>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).</td><td>File Form P2 to become limited member which entitles spouse to annual statements of benefits and options (with calculations).

File Form P8 if there is a change of name, address, phone and/or email.</td><td><u>Subject to eligibility</u>, the option can be selected any time after the member reaches age 55.

To request a pension, submit a Form P4 (plus bank deposit form, TD1s, optional form selection, proof of age and beneficiary details, if applicable to optional form).</td></tr>
<tr><td colspan="3">(within 30 days of receipt)</td></tr>
</table>

Calculate the *spouse*'s share of *matured pension* and commence payment (one full calendar month after forms received). OR Calculate the lump sum transferrable and transfer it per *spouse*'s directions (end of month following calendar month in which all documentation and fees received).	If *spouse* becomes *limited member*, send *spouse* annual statement of benefits and options; otherwise, information and updates are only provided upon request and do not include calculations of the *spouse*'s share of benefits.	Calculate the *separate pension* and ***confirm eligibility.*** Unless a later date is requested, the pension is effective the first of the month that is one full calendar month after all forms and documentation were received. The first payment may be delayed pending determination of final account balances and payroll data.

Glossary of Terms

<u>Combined Contribution Account (*CCA*)</u> – is a member's *defined contribution (DC)* account. The balance in a *CCA* is the sum of employee contributions, a portion of the University contributions, and returns on those contributions. Returns are calculated monthly and are distributed to *CCA*s approximately 3-4 weeks following month end. A member's *CCA* is divided into non locked-in and locked-in portions. Contributions made prior to 1993 and the returns on those contributions are non locked-in. Contributions made after 1992 and returns on those contributions are locked-in.

<u>Defined contribution (DC)</u> - is when pension benefits are determined by accumulated contributions and investment returns (rather like an *RRSP*).

<u>Defined benefit (DB)</u> - 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)

<u>Entitlement period</u> - is determined by dates specified in the agreement or court order, usually determined by the date the relationship began and the date of separation, but other dates can be used.

<u>Family Law Act (BC)</u> - replaced the *Family Relations Act (BC)* effective 18 March 2013. The *Division of Pensions Regulation* was also replaced at that time.

<u>Form P1 Claim and Request for *Information* and Notice</u> – is used by a *spouse* who is claiming or considering claiming an interest in the member's pension. A *Form P1* enables the *spouse* to obtain certain *information* from the Pension Office about the member's pension benefits. *Information* must be provided within 60 days of request.

Updates must be provided within 30 days of request. The Pension Office is only required to respond to requests for *Information* or updates once per calendar year. The *Form P1* also entitles the *spouse* to 30 days' notice of certain actions, such as a member's request for a benefit or a change in beneficiary. It is common to submit a *Form P1* pending final division of family assets. A *Form P1* can be withdrawn with a *Form P7*.

Form P2 Request for Designation as Limited Member – is used by a *spouse* for immediate division of a *matured pension*. It is also used to register the *spouse* as a *limited member* if the *spouse* is deferring division with the objective of receiving annual statements and/or eventually choosing a *separate pension*.

Form P3 Request for Transfer from Defined Contribution Account – is used by a *spouse* to request a lump sum transfer from a *CCA*, *RVA, UVA or VBA* in full satisfaction of the claim on the pension.

Form P4 Request by *Limited Member* for Transfer or *Separate Pension* – is used to request a *separate pension* from the Combination Plan and this option is subject to meeting eligibility criteria.

Form P7 Withdrawal of Notice/Waiver of Claim – is used by a *spouse* to withdraw a notice or other document delivered to the Pension Office. A *Form P7* cannot be withdrawn. It also cannot be used to cancel a division that is already in progress.

Form P9 Agreement to Have Benefits Divided Under Part 6 – is only used if there is not already an agreement or court order dividing the benefits.

Notice of assignment of survivor benefits by agreement or Order (Form P10)

A Form P10 is used if

• the member's pension/annuity has commenced,
• the spouse is entitled to survivor benefits under the pension/annuity, and
• the spouse has entered into a written agreement or has been ordered by the Supreme Court to pay some or all of the survivor benefits to another person under section 126.1 of the Family Law Act.

Information - is available annually to a *spouse* who has filed a *Form P1*. The information that must be provided is prescribed under the *Division of Pensions Regulation* and must be provided 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.

Registered Retirement Savings Plan (RRSP) - is a savings plan for individuals which allows them to defer tax on money to be used for retirement. A locked-in *RRSP* is an *RRSP* that receives locked-in money from a registered pension plan.

Restricted Voluntary Account (RVA) – is a voluntary account to which is credited transfers from other pension plans (and *RRSP*) on a locked-in basis.

Separate Pension – is an option available to a *spouse*, subject to meeting eligibility criteria. At the selection date, the *spouse*'s estimated *DB* minimum must be at least 90% of the estimated internal variable annuity purchased with the *spouse*'s share of the

CCA; and the member must be at least age 55 on or before the start date for the pension.

Spouse - for the purpose of this publication includes a former *spouse* and includes *marriage-like* relationships of at least 2 years.

Unrestricted Voluntary Account (UVA) – is a voluntary account to which is credited additional contributions made by payroll deduction and transfer(s) from *RRSP*s or other pension plans on a non locked-in basis.

Variable Benefit Account (VBA) – is a *LIF*-type account within the plan. When a member selects a variable benefit pension, their *CCA* is converted to a *VBA*. From that point forward, the member's 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.

Pension Services
University of Victoria
PO Box 1700 STN CSC
Victoria BC   V8W 2Y2

Administrative Services Building
Rm B278, 3800 Finnerty Road
Victoria BC   V8P 5C2

(250) 721-7030
pensions@uvic.ca