



Dividing Pensions When Relationships End Common Administrative Issues

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Common Administrative Issues Upon Relationship End



Common Administrative Issues Upon Relationship End

- Papers Not In Good Order (NIGO)
- Fees Cause Hardship
- Beneficiary Designation of Non-Assigned Portion
- Benefit Payable on Pre-Retirement Death
- Spouse Assigned >50% of Pension
- Options for Limited Member
- Pension Commencement Delay
- Relationship Ends Post-Retirement

NIGO Applications, Agreements or Orders



NIGO Applications, Agreements or Orders

- References may be incorrect, ambiguous or missing on forms, agreements or documents
- Lawyers call for information with no release

Family Law Act (FLA) Clarifies:

- Spouse has 30 days after notice that interest may be affected to submit complete information
- No legal proceedings against Administrator for damages if proper notice provided
- Member receives 100% of benefits if not addressed in Agreements or Orders
- Form P9 introduced – can be used if no Agreement
- Form P1 can authorize release of information to a third party
- Matured pensions commence 30 days after receipt of documents, all other payments 60 days

Administration Fees



Administration Fees

Problem:

- Barrier to resolution, may cause hardship

FLA Solution:

- Fee can be deducted from pension or commuted value amount

Other FLA Change:

- Maximum Fee Schedule
 - To register as a Limited Member = \$750, \$925 if hybrid plan pays out DC and DB portion separately
 - To transfer funds from a DC Plan = \$175

Beneficiary Of Non-Assigned Portion



Beneficiary Of Non-Assigned Portion

- Written permission from Limited Member required to change designation

Problem:

- Limited Member may refuse permission for new Spouse or Beneficiary

FLA Solution:

- No interaction with Limited Member required and Member can designate any beneficiary or estate for unassigned portion

Benefit Payable on Pre-Retirement Death



Benefit Payable on Pre-Retirement Death

- Limited Member entitled to 100% death benefit earned during marriage

Problem:

- Unfair division as Limited Member typically receives a much higher benefit than they would have had death not occurred

FLA Solution:

- Limited Member receives Commuted Value of their portion, based on day before Member's death

Spouse Assigned More than 50%



Spouse Assigned More than 50%

- Member cannot assign more than 50% of pension to Spouse without Court Order

Problem:

- Member may have small or multiple pensions

FLA Solution:

- Member can assign more than 50% of pension to Spouse through Agreement

Options for Limited Member



Options for Limited Member

- Limited Member options restricted by Member's choice of retirement date

Problem:

- Commuted Value option when Member reaches earliest retirement age
- Monthly Pension option only available when Member actually retires

FLA Solution:

- Limited Member can choose either option when Member reaches earliest retirement age
- Must provide the same optional forms as provided to the Member
- Calculation is done as though consent has been given in the case of plans that require Trustee consent

Pension Commencement Delay



Pension Commencement Delay

- Administrator cannot pay until division finalized

Problem:

- No pension income until paperwork is complete
- Retroactive payments rarely permitted by pension plans

FLA Solution:

- Pension Commencement Date can be preserved
- Pension Divided: Agreement must be received on or before December 1 the year following commencement
- CRA can approve retroactive payment

Relationship Ends Post-Retirement



Relationship Ends Post-Retirement

- J&S option selected at retirement
- Spouse waives their right to their J&S pension in Separation Agreement

Problem:

- PBSA does not allow post-retirement waiver
- Member/Legal counsel fails to consider PBSA rule when drafting Agreement

FLA Clarification:

- Spouse receives all J&S benefits regardless of relationship status
- Parties can agree to administer payment to a third party under an FLA waiver

Thank You



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