

Ontario Legislation Bill 133

Valuation and Division of Pension Assets on Breakdown of Spousal Relationship

The information in this newsletter has been prepared by Kelley A. McKeating and David C. Hart. This newsletter has been prepared specifically for Family Law actuaries, pension actuaries and pension plan administrators.

Effective January 1, 2012, Ontario legislation regulates the Valuation and Division of Pension Assets on Breakdown of a Spousal Relationship.

The Financial Services Commission of Ontario (FSCO) website contains information which pension plan administrators need to prepare the valuation required by this legislation. FSCO has prepared a Questions and Answers (Q&A) section on the website to provide guidance for pension plan administrators. Unfortunately, there has been some confusion about the mortality and interest assumptions which must be used for a valuation date prior to January 1, 2012.

This email has been prepared to clear up any confusion about Q&A 15 on the FSCO website (see http://www.fSCO.gov.on.ca/en/pensions/Family-Law/Pages/familylawcalc_faqs.aspx#calculation). In addition, the economic assumptions required prior to January 1, 2012 are now available as part of the Pension Plan CANSIM Rates which can be found at www.an-actual-actuary.com

THE ISSUE - Q&A 15 on the FSCO website states:

Q15. Effective January 1, 2012, section 3500 of the Canadian Institute of Actuaries Standards of Practice must be used to calculate the Preliminary Value. What must be used if the Family Law Valuation Date (separation date) is before January 1, 2012?

A15. In FSCO's view, section 3(2) of [Ontario Regulation 287/11](#) requires that section 3500 of the [Canadian Institute of Actuaries Standards of Practice](#) must be applied when calculating the Preliminary Value, regardless of the Family Law Valuation Date. This means that section 3500 applies, even if the Family Law Valuation Date is a date before January 1, 2012.

For example, if the Family Law Valuation Date is in 1996, the interest rates must be determined using the methods and CANSIM series outlined in section 3500 in effect at the Family Law Valuation Date in 1996. Those same rates will be used to update the Family Law Value to the date of transfer. Similarly, the mortality table used must also be in accordance with section 3500. -03/12

THE SOLUTION - What FSCO A15 really means is:

Section 2(3) of [Ontario Regulation 287/11](#) states that "Where this Regulation refers to section 3500 of the *Canadian Institute of Actuaries Standards of Practice*, the reference is to section 3500 ("Pension Plan Commuted Values") of the *Standards of Practice* of the Actuarial Standards Board, published by the Canadian Institute of Actuaries, as that section read upon being revised on June 30, 2010."

Therefore, regardless of the separation date, the formula to be used to determine the interest discount rates is the formula in the June 30, 2010 version of Section 3500 (Section 3540.07). The reported CANSIM rates should be as of the Family Law Valuation Date (FLVD) determined with a lag of two months if the FLVD is on or before January 31, 2011 and a lag of one month if the FLVD is on or after February 1, 2011. The formulas in the 1993 recommendations and in the 2005 Commuted Value Standard of Practice **SHOULD NOT** be used in determining the Family Law Value, regardless of the FLVD.

Similarly, the mortality assumption should be in accordance with the June 30, 2010 version of Section 3500 (Section 3530.01) regardless of the FLVD. The UP-94 Table projected forward to the year 2020 using mortality projection Scale AA should be used if the FLVD is on or before January 31, 2011. The UP-94 Table with generational projection using mortality projection Scale AA should be used if the FLVD is on or after February 1, 2011.