

Valuing Pension Entitlements on Marriage Breakdown in Canada

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Abstract

For quite a while, employee pensions have been included in the definition of "family property". However, a pension is not a tangible asset that can be valued easily. By using two different models, a pension's value can differ by hundreds of thousands of dollars. We need to start with a simple premise: We should divide an employee's pension in a fair and equitable manner between the employee and the spouse. It would seem to make sense that the spouse would be entitled to 50% of the pension accrued during marriage. We come to the same problem: How do we value this accrual? The rational thing to do would be to set some standard rules when it comes to valuing a pension on marriage breakdown. But how do you accomplish this in Canada when there are eleven different jurisdictions, each with its own distinct rules and regulations? Even the Canadian Institute of Actuaries presents two different methods without giving a preference for one. The talk will outline some of the current differences in Canadian provincial legislation. We will also explore some of the methods and issues used to value pensions on marriage breakdown, and outline the strengths and weaknesses of these methods. Some case studies will be examined.

