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## BOOK REVIEW

# Book outlines determining pension values in divorce

by Richard O. Goehring

*Value of Pensions in Divorce*, Marvin Snyder. Published by John Wiley & Sons, Inc., One Wiley Drive, Somerset, New Jersey, 08875. Second Edition, 1992. 908/469-4400. 260 pp.

**M**arvin Snyder has written a comprehensive treatise on pension valuations in divorce. The text is geared to the non-actuary, presumably the divorce attorney. Much of the information, however, would benefit the seasoned actuary unfamiliar with divorce work.

The early chapters of the book cover general pension actuarial concepts. Then the book moves on to using actuarial principles in equitable distributions. Snyder explains how pension assets are used to offset other marital assets in some situations. Depending on the pension asset's size, however, the pension benefits may have to be distributed on a deferred basis to the non-employee spouse.

Many technical issues are raised by the author, such as form of benefit payment, existing nonqualified plans, and entitlement to surplus assets in overfunded plans. Selection of a retirement age assumption and the treatment of vesting status are discussed thoroughly.

The author describes how plan benefit information typically is obtained, including the right to subpoena the plan. Other chapters cover the definition of an Enrolled Actuary, the Pension Benefit Guaranty Corporation (PBGC), and types of

plan termination. Non-ERISA plans such as the Federal Employees Retirement System are reviewed. The significance of ERISA plans is that they have mandated disclosure requirements and afford the option of paying benefits under a Qualified Domestic Relations Order (QDRO).

The text diverges from the more practical issues to explain the significance of taxation and inflation in computing present values. Salary scales usually are not used in divorce valuation except in New Jersey. The future tax status of benefit payments is seldom reflected in divorce valuations, even though it is often offset against non-taxable marital assets. Students of Jordan's *Life Contingencies* will appreciate Snyder's emphatic denouncement of utilizing an annuity certain over the period of one's life expectancy.

A key concept in the divorce calculation is the coverture fraction. This fraction describes the portion of pension plan service recognized in computing the pension's marital value. The valuation date must be properly chosen, with the two most common approaches used being the "current" date or the "cutoff" date.

Regarding remarriage, standard practice is not to value it as a contingency. Some QDROs may require its recognition.

Snyder persuasively argues the need for an expert to do the calculation. The many nuances involved compel the reader to agree this is not an area for the amateur.

An outstanding pension terminology section follows the main body of the text. Multiple appendices include sample divorce reports, expert witness questions, coverture fraction illustration, and pension disclosure reports. The appendices will be most helpful to the actuary new to this type of work.

The book covers principles and techniques well and has only a few shortcomings. The author could have expounded upon state statutes and case law and how the beginning practitioner can become familiar with statutory precedence. Differing treatment in community property states also was not discussed. The author offered few alternatives to valuation on a PBGC basis for those industries in which mortality may be such that PBGC rates are inappropriate. Knowledge of the plan's assumptions should be obtained. Also, since PBGC rates are often lagging by three months, a check on current interest rates from an annuity provider or at least an inspection of government bond rates would be advised.

In summary, the author has written a highly informative text that should prove to be a valuable addition to existing actuarial literature.

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