THE PENSION BENEFITS DIVISION ACT
Adjustment of the Member's Pension Benefits

Following a division, the member's pension benefits will be adjusted. The amount of the adjustment depends upon a number of factors, such as the type of benefit payable to the member, whether the maximum was paid or a lesser amount, whether the member was vested when the division was paid, and so forth.

The adjustment will usually be made the month following the division payment or, if the pension benefit is not yet payable, when the benefit commences. However, in the case of a pension payable on account of disability, the reduction will be determined based on the pension that would have been payable had the member not been disabled. This means that the adjustment will be deferred or reduced in those cases.

DIVISION FACTOR

The first factor that affects the amount of the adjustment is the division factor. It determines how much of an adjustment will apply to the benefits related to the period subject to division (PSTD). In most cases the benefits related to the PSTD are divided equally and therefore the division factor is 50%.

There are two circumstances where the division factor will be less than 50%:

1. If the division payment was a specified amount that was less than the maximum transferable amount (MTA), the division factor is proportionately less. For example, if the division payment was equal to 80% of the MTA, the division factor would be 50% x 80% = 40%.

2. The division factor will also be less than 50% if the member was not vested when the division was paid and the member later becomes entitled to a pension. In that situation, the amount paid (based on contributions and interest) is compared to the MTA that would have been paid if the member had been vested (i.e. the actuarial present value of the pension). The division factor is equal to 50% times the amount paid divided by the MTA.

RETURNS OF CONTRIBUTIONS

If the member becomes entitled to a return of contributions after a division has been made, the adjustment will be equal to the contributions and interest related to the PSTD times the division factor. As noted above, the division factor is usually 50%. The reduction is also calculated in this manner if the member is entitled to a Cash Termination Allowance.

PENSIONS

The adjustment of a pension is calculated using the division annuity, the same pension amount used in the calculation of the MTA. The first step involves multiplying the division annuity by the division factor. Assuming that the division annuity is $24,960 (based on 26 years of service during the PSTD and an average salary of $48,000) and the division factor is 50%, the basic reduction would be:

$24,960 x 50% = $12,480

The next step involves the calculation of an indexed reduction by adding indexing from the end of the PSTD to the date of retirement. If, for example, the Consumer Price Index (CPI) increased by 15% from the end of the PSTD to the date of retirement, the indexed reduction would be:

$12,480 + (12,480 x 15%) = $14,352

However, the reduction is guaranteed to not be greater than the member's actual entitlement for that portion of the member's service. A second reduction amount is calculated using the member's average salary at retirement and the smaller of the two reductions will be applied. To continue our example, if the member's average salary is $50,000 at retirement, the member's pension for one-half of the PSTD would be:

$$(\$50,000 \times 26 \times .02) \times 50\% = \$13,000$$

Therefore, the reduction would be limited to $13,000.

Early Retirement

The division reduction is applied to the member's basic pension entitlement under the plan. Any further adjustments to the member's pension are based on the reduced amount. If, for example, the member's entitlement is subject to a penalty for early retirement, the applicable percentage is calculated on the net amount after the division reduction is applied. If we assume that the member retired with 28 years of service and was subject to a penalty of 10%, the entitlement would be adjusted as follows:

Basic Pension	$50,000 x 28 x .02 = $28,000
Reduced for Division	$28,000 - $13,000 = $15,000
Reduced for Early Retirement	$15,000 x 90% = $13,500

C/QPP Adjustment

For those plans that are integrated with the Canada and Quebec Pension Plans, there is a further step involved. The C/QPP reduction that normally applies at age 65 was taken into account when the pension was valued. Therefore, the C/QPP reduction of the member has to be adjusted and will be less than it would have been if no division had occurred.

To calculate the adjustment, the C/QPP reduction applicable to the PSTD service is multiplied by the division factor. To continue the example, if the AMPE for the year of retirement is $32,000, the adjustment would be:

$$(\$32,000 \times 26 \times .007) \times 50\% = \$2,912$$

This amount is then subtracted from the C/QPP reduction that would normally apply. In the example above, the C/QPP reduction would be adjusted as follows:

Full C/QPP Reduction: $32,000 x 28 x .007 = $6,272

Adjusted C/QPP Reduction: $6,272 - $2,912 = $3,360

TRANSFER VALUES

A transfer value is a lump-sum benefit equal to the actuarial present value of the member's pension entitlement. The adjustment of a transfer value is determined by valuing the member's pension taking into account the reduction and C/QPP adjustment described above that would have applied had the member opted for a pension.