

JANUARY 2012 – LL764 PENSION COMMITTEE REPORT

Unfortunately some of the pension questions I get asked most often concern the splitting of the pension benefit as a result of divorce. This is a topic that obviously has a great impact on the member's own final pension benefit that they will receive when they retire. It is also a topic that confuses most of our members. I have written about this subject twice before in my June 2008 and June 2010 pension reports. They can be found on the LL764 website under the **Pensions** link on the homepage.

The onus falls on the member in determining the final split of the pension asset and the total value of the asset that will be transferred to their ex-spouse. This is done through the legal divorce proceedings and ultimately the final divorce settlement agreement that they sign with their ex-spouse. Air Canada has an administrative guide to this process that you can find on the Aeronet by following the link *My HR>My Pension>Information &Tools>Defined Benefit>Administration Policy on the Distribution of Benefits*

Air Canada will do two things and two things only to assist in this process. They will do one calculation of the maximum pension transfer value as of the date of the request for such calculation (or for a date up to 6 months prior to the date of request). The application form to request this one time calculation is on the Aeronet. It can be found by selecting *My HR>HR Forms>Pension>ACF850D*. This calculation will show the total value of the member's entire pension, not just during the period of the marriage. The member must calculate that value of the pension for the purposes of the asset division. Usually that means hiring an actuary to do this calculation and that can be very expensive. The second thing Air Canada will do is to register the pension asset split and administrate it on behalf of both parties going forward.

The ex-spouse will actually be made a member of the pension plan and assigned their own employee number for the purposes of paying their portion of the pension benefit. This occurs even if the settlement is for a commuted value transfer out of the plan. If the ex-spouse elects to take a deferred monthly pension then it is payable from their 65th birthday. They can elect to take it anytime after they turn 55 but it will be actuarially reduced from age 65. After the split is registered with Air Canada and the ex-spouse is assigned an employee number, they are then afforded the same privileges to contact and deal with the company about their pension as the member.

The member and their ex-spouse are completely separate in the payment of their pensions. They do not have to select the same payment options nor do they have to start their pension at the same time. Both are free to choose both the payment option and commencement date for their pensions. It is possible for the member to still be working and their ex-spouse to be drawing their portion of the pension benefit or vice versa.

The current pension calculator / projector that is available on the Mercer *Oneview* site (from the Aeronet) will not show any pension asset splits. The dollar values shown are for the total pension benefit earned and the member must calculate the amount payable to their ex-spouse and deduct it from the values shown. There is some good news on this front however. Air Canada has awarded AON Hewitt the contract to administer their pension plans as of January 2012. The changeover from Mercer is to be completed by October 2012.

Part of this changeover in service providers will mean that the Mercer *Oneview* site will no longer be available. It will be replaced with AON Hewitt's own website. The Pension Committee has been told this site will contain a number of improvements to the information available for our members. One of these changes is that the pension calculator / projector will now show the value of any pension benefit splits. The member will no longer have to do these guesstimates themselves.

I may be contacted at president@iam764.ca <mailto:president@iam764.ca> with any questions or concerns that you may have.

Respectfully Submitted,

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Chairman, LL 764 Pension Committee