



---

SECTION:	Gradual and Uniform
INDEX NO.:	G100-601
TITLE:	Benefit Accrual in Defined Benefit and Defined Contribution Plans - PBA s. 11(1)
APPROVED BY:	Superintendent of Financial Services
PUBLISHED:	FSCO website (August 2010)
EFFECTIVE DATE:	August 1, 2010 [No longer applicable - replaced by G100-602 – December 2011]
REPLACES:	G100-600

---

This policy replaces G100-600 (Benefit Accrual in Defined Benefit and Defined Contribution Plans) as of the effective date of this policy.

*Note: Where this policy conflicts with the Financial Services Commission of Ontario Act, 1997, S.O. 1997, c. 28 (FSCO Act), Pension Benefits Act, R.S.O. 1990, c. P.8 (PBA) or Regulation 909, R.R.O. 1990 (Regulation), the FSCO Act, PBA or Regulation govern.*

*Note: The electronic version of this policy, including direct access to all linked references, is available on FSCO's website at [www.fSCO.gov.on.ca](http://www.fSCO.gov.on.ca). All pension policies can be accessed from the **Pensions** section of the website through the **Pension Policies** link.*

### **Gradual and Uniform Accrual of Pension Benefits**

One of the objectives of the PBA is to ensure that pension benefits accrue evenly during an employee's period of membership in a plan so that dramatic increases at certain times are avoided. In the absence of a clear description of what constitutes gradual and uniform accrual, plan sponsors and consultants have been submitting specific formulas to staff for review and acceptance.

A plan that would provide a great bulk of pension benefits if the employee were to stay with the company until retirement is not permitted as it is inequitable to younger members.

In a defined benefit plan, a formula that provides a large jump in benefits at certain times may place the employee in a vulnerable position. For example, an older employee could be terminated just prior to the time when the increase would begin, or might be unable to retire until he or she has reached the age of the increase; on the other hand, a younger or part-time employee's entry level might be so low that it would be very disadvantageous in the circumstances. Further, provisions which allow ancillary benefits such as early retirement windows and bridging benefits appear to be - by their nature - contrary to the principle of gradual and uniform.

(a) **Defined Benefit Plans**

The gradual and uniform accrual requirements of section 11(1) apply only to the accrual of basic pension benefits, not to the ancillary benefits as set out in section 40(1). When early retirement windows are being provided, the basic pension benefit is subject to gradual and uniform accrual, but not the ancillary benefit.

(b) **Defined Contribution Plans**

- (i) Once the initial rate of contribution has been established, the contribution formula should provide for increases in reasonably equal increments and intervals of time. The rate of contribution established at the outset should not be less than subsequent rate increases, in order to avoid prejudice to younger workers or newer employees.
- (ii) A plan may use a step formula for an early period of membership, and a level formula for all subsequent periods.
- (iii) A specific contribution rate schedule, such as that approved and in use in Quebec, is consistent with the intention of the PBA and is acceptable.

The requirements of this policy apply to plans established after the effective date of this policy, including those into which existing plans are being converted or have been converted after the effective date of this policy.